

**AERA/20010/MYTP/AAI-TVM/CP-II/2016-17/Vol.-I/T-12A/  
Airports Economic Regulatory Authority of India**

Date: 18.05.2017

**Office Memorandum**

**Sub: Minutes of the Stakeholders' Consultation Meeting held on 20.04.2017**

Please find enclosed herewith the Minutes of the Stakeholders' Consultation Meeting held on 20.04.2017 in connection with Multi Year Tariff Proposal for determination of tariffs in respect of Trivandrum International Airport, Thiruvananthapura for the second control period (01.04.2016 to 31.03.2021) for information and necessary action.



**(Ramendra Pratap Shukla)  
Deputy Chief**

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**AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

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**Minutes of the Stakeholders Consultation Meeting held on  
20<sup>th</sup> April, 2017 at 11:00 AM**

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**CONSULTATION PAPER NO.07/2016-17 DATED 28.03.2017 TO CONSIDER THE  
MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF TARIFFS FOR 2<sup>ND</sup>  
CONTROL PERIOD (FY. 01.04.2016 TO 31.03.2021) IN RESPECT OF  
TRIVANDRUM INTERNATIONAL AIRPORT, THIRUVANTHAPURAM**

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Stakeholder Consultation Meeting was convened by the Authority on 20.04.2017 at 11.00 AM in the Conference Room, first floor, AERA Building, Administrative Complex, Safdarjung Airport, New Delhi to elicit the views of the stakeholders on the Consultation Paper no. 07/2016-17 dated 28.03.2017 issued by the Authority to consider the Multi-year Tariff Proposal for the 2<sup>nd</sup> control period (FY.2016-17 to FY.2020-21) in respect of Trivandrum International Airport, Thiruvanthapuram. The list of participants is enclosed at **Annexure-I**.

2. Secretary, AERA welcomed all the participants to the Meeting and briefly touched upon the subject matter of the Consultation Paper. The Chairman advised the stakeholders to give their written comments/ views on or before Friday, the 28<sup>th</sup> April, 2017.

3. The comments of various stakeholders are as follows:

**AAI - TRIVANDRUM INTERNATIONAL AIRPORT, THIRUVANTHAPURAM**

3.1 The Airport Director, Trivandrum Airport and Executive Director, CHQ, AAI jointly gave a brief presentation on the Multi Year Tariff Proposal submitted to AERA for determination of tariffs for the 2<sup>nd</sup> Control Period. They gave an overview of the revenue, costs and the proposed capital expenditure to be incurred at Trivandrum Airport during the 2<sup>nd</sup> Control Period. They also requested the Authority to reconsider some of the issues related to:

- **True up for the first control period** considering resetting of RAB taking depreciation rates of AERA effective from the date of capitalization of the respective assets instead of 01.04.2011. Further, on the issue of land, AAI has requested that either the cost of land should be included in RAB for fair rate of return or AAI may be allowed to amortize the same over a period of 30/60 years.
- **Allocation of Assets between Aeronautical and Non-aeronautical Services-** AAI has requested that the Authority should consider actual proportion 93% as aeronautical assets instead of 90% considered by the Authority.
- **Capital Expenditure-** AAI assured to conduct a proper AUCC as per AERA Guidelines for its capital projects.

- **O&M expenditure & pay roll costs-** Based on the last wage revision, AAI has requested to allow an increase of 40% instead of 25% in FY.2017-18 considered by AERA, on account of wage revision due from 01.01.2017. AAI also assured to reduce their O&M expenditure.
- **Taxation-**AAI has requested AERA to consider the tax component of the 30% non-aeronautical revenue used to cross-subsidize the aeronautical charges.

On the issue of RAB, Chairman, AERA stated that the Authority will relook into the resetting of the RAB based on new rates of depreciation as this decision will have an impact while determining the tariffs for other major AAI airports. Chairman stated on the issue of inclusion of land cost in RAB, the Authority proposes to conduct a study and accordingly take a decision which shall be true up in the next control period. The Chairman also stated that the Capex, certain pay roll expenditures and retirement benefits may be reworked based on actual Aero/Non-aero ratios and the same will also be taken care of at the time of true up in the next control period. The Chairman stressed that AAI should explore possibilities of increasing their non-aero revenues like Mumbai and Delhi Airports as there is tremendous scope for growth in this sector as people want to do business with the airports. In the near future, AERA foresees a non-aeronautical revenue share up to 25% to 30% of the gross revenue. The Chairman, AERA assured them that the Authority will relook into the above issues before deciding the tariff.

**Spice Jet**

3.2 Shri Pankaj Mathur from Spice Jet commented on the shift by AERA from Single to Hybrid Till regulatory regime. On the issue of Regulatory Till, the Chairman, AERA clarified that the 'Hybrid Till' has been adopted after due Stakeholder Consultation Process and the guidelines have also been amended accordingly.

Shri Mathur also commented on exemption in tariffs at Trivandrum Airport for RCS flights. Shri S. Samantha, Member, AERA clarified that the Authority has already issued an Order regarding exemptions to be given by the Airport Operator for RCS flights.

**Federation of Indian Airlines (FIA)**

3.3 Shri Ujjwal Dey, Associate Director, FIA commented on the shift in AERA's regulatory philosophy from Single Till to Hybrid Till and sought a clarification on the issue. He further commented that AERA had a regulatory philosophy of single till for all airports other than Delhi and Mumbai. Hence, it would have been a better option to regulate Delhi and Mumbai under Single Till instead of changing the philosophy to Hybrid Till for all airports.

The Chairman, AERA reiterated that the Hybrid Till approach has been adopted after due Stakeholder Consultation Process and the guidelines have also been amended accordingly for all airports. The Chairman further explained that in case of AAI, the depreciation rates applicable on various assets have been brought at par with the rates that are being charged for other airport operators so as to ensure level playing field, and similarly, AERA has brought all the airports under Hybrid Till regime so as to ensure uniformity in tariff determination process.

## International Air Transport Association (IATA)

3.4 Shri Eric Antia, Campaign Manager, IATA said that IATA is disappointed at AERA's decision to determine tariffs under Hybrid Till as it will make aeronautical charges more expensive and it will go against the fundamental requirement to boost air connectivity, as envisaged in the NCAP, 2016. He further stated that APAI has challenged the AERA's order on Hybrid Till in the AERAAT and therefore AERA is requested not to determine the tariffs under 'Hybrid Till' as the matter is sub-judice. Regarding capex, Shri Antia commented that the AERA should ensure that the Airport Operators conduct a meaningful Stakeholder Consultation by holding an AUCC so that the capex plans are evaluated based on the capacity requirements and cost effectiveness. AERA should ensure that the Stakeholder Consultation Protocol is seriously undertaken and it is not just a mere session for information exchange. Even AERA may ask IATA and other stakeholders to give a feedback on the AUCC organized by the airport operators. Shri Antia also stated that from the proposal, it is not clear how the incentives provided in the tariff card will be funded by the airport operator. Shri G. Ravichandran, ED, JVC, AAI clarified that AAI will absorb the cost of incentives and shall not pass the same on to the passengers.

Shri Antia further said that the differential charges for domestic and international flights are also not in line with the ICAO's policy of non-discriminatory charges. The differential charges should be supported by proper cost justifications. Discriminatory pricing structure is also affecting the bigger aircrafts.

The Chairman stated that it has been brought to his notice that the airlines and other stakeholders also do not turn up for the AUCC organized by the airport operator. Hence, the airlines should also be encouraged to effectively participate in the consultation process. Further, AERA has in the past deputed senior officers to attend the AUCC and shall continue to do so. On the issue of the difference in charges for domestic and international flights, the Chairman clarified that there is a justification in fixing higher charges for international flights as customs, immigration and other essential services and facilities are provided to the international passengers which involve higher costs. Hence, there will always be a difference between domestic and international tariffs. However, it is the responsibility of AERA to ensure that the tariffs are such that the market can bear the same.

On service quality parameters based on ACI ASQ Survey, Shri Antia stated that the feedback on airport services should be taken from the airlines and passengers. There should be Airport Service Level Agreement (SLA) between airport operator and the airlines and a draft SLA shall be submitted to AERA by FIA with their written submissions. The SLA will also help in establishing a link between airport service standards and user costs and will also help in continuous improvement of airport services. Regarding performance/service standards, Chairman, AERA, said that AERA proposes to create an independent framework to solicit feedback from the airport users.

## Air Passengers Association of India (APAI)

3.5 Mr. Mahesh Y. Reddy, Secretary General, APAI, raised concern regarding the rescheduling of Stakeholder Consultation meetings as such rescheduling affects participation from the stakeholders who have to come from across the country. He further stated that though determination of tariff is AERA's prerogative, in the case

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of the consultation process regarding regulatory till where more than 85% of the stakeholders favored Single Till, AERA passed an order adopting the Hybrid Till approach.

On the issue of adopting Hybrid Till Chairman clarified that besides the Stakeholders viewpoint the authority has to take into consideration the Government's policy and other issues pertaining to the aviation sector before taking a final decision. Mr. Mahesh Y Reddy also said that they will soon submit their detailed written comments on the subject consultation paper.

**Kerala State Industrial Enterprises Limited (KSIE)**

Dr. Febi Varghese, MD, KSIE stated that they have no comments to offer on the consultation paper.

The Meeting ended with a vote of thanks to the chair.



**List of Participants:-****Airports Economic Regulatory Authority Of India**

1. Shri. S. Machendranathan, Chairperson- in Chair
2. Shri. N. Shankar, Member
3. Shri S. Samanta, Member
4. Ms. Puja Jindal, Secretary
5. Shri. Rajesh Khanna, AGM (F)
6. Shri. Mohit Kaushish, Manager (F)
7. Shri. Jaimon Sakaria, Manager (F)
8. Shri K. Narasimaha, Sr. Suptd.(F)

**AAI**

9. Shri Sree Kumar, RED, Southern Region
10. Shri G. Ravichandran, ED, JVC
11. Shri George, APD (Trivandrum)
12. Ms. V. Vidya, GM (Fin.)
13. Shri R.K. Das, AGM (Fin.)
14. Ms. Anju Rastogi, Manager (Fin.)
15. Shri Surender Kumar, Manager (Fin.)
16. Shri Ravi Kanojia, AM (Fin.)

**IATA**

17. Shri Eric Antia, Campaign Manager

**FIA**

18. Shri Ujjwal Dey, Associate Director

**Spice Jet**

19. Shri C.S. Palani, Sr. GM (Operations)
20. Shri Pankaj Mathur, Sr. Manager (Standards)

**KSIE**

21. Dr. Febi Varghese, Managing Director

**APAI**

22. Dr. Mahesh Y. Reddy, Secretary General
23. Shri S. Kumar Chaudhry (ILFI)

**KPMG**

24. Shri Abhishek Somani, Consultant
25. Shri Sochit Pandey, Consultant
26. Shri Jodhbir Singh, Manager

