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Dr Mahesh Y Reddy
Secretary General

Air Passengers Association of India

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**APAI Response to AERA
in the Matter of Determination of Aeronautical Tariffs
in respect of Trivandrum International Airport, Thiruvananthapuram (TVM)
for the Second Control Period (01.04.2016-31.03.2021)**

Dear Sir,

Thank you very much for inviting Air Passengers Association of India (APAI) to the Stakeholders Consultative Meeting in respect of "APAI Response to AERA in the Matter of Determination of Aeronautical Tariffs in respect of Trivandrum International Airport, Thiruvananthapuram (TVM) for the Second Control Period (01.04.2016-31.03.2021)".

In this regard, we are sending herewith our response for your perusal.

Thanking you,

Yours faithfully,

DGM (A)

APAI
M.
6/09/17

(Dr Mahesh Y Reddy)

Chairperson

Airports Economic Regulatory Authority of India (AERA)
AERA Building
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New Delhi- 110 003

Enclosure:

1. APAI Response to AERA in the Matter of Determination of Aeronautical Tariffs in respect of Trivandrum International Airport, Thiruvananthapuram (TVM) for the Second Control Period (01.04.2016-31.03.2021)

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Air Passengers Association of India

**APAI Response to AERA
in the Matter of Determination of Aeronautical Tariffs
in respect of Trivandrum International Airport, Thiruvananthapuram (TVM)
for the Second Control Period (01.04.2016-31.03.2021)**

Air Passengers Association of India (APAI) had gone through the Consultation Paper prepared by Airports Economic Regulatory Authority of India (AERA) and subsequently attended the Stakeholder Consultation Meeting held on 20th April 2017. APAI has also held discussions amongst us and also with experts closely connected with aviation including persons who had served in the Airports Authority of India (AAI) and Civil Aviation Ministry at various points of time.

The views that have cropped up at these meetings are captured in brief:-

1. Each airport in India is at variance with the other in terms of the revenue generating capacity, facilities offered, numbers of flights operating, passenger traffic and importantly passengers handling services. A sweeping presumption that one rule should be applicable to every airport, that way, is unrealistic and not warranted by real life situation. Official documents prepared by AERA also speak about such variance.
2. Section 12 of NCAP 2016 has categorised three different types of Airports -Airports developed by the State Government, Private Sector and Public Private Partnership (PPP). This excludes Airports Developed by the Airports Authority of India (AAI). Section 13 of the NCAP 2016 addresses Airports developed by AAI. This means by its very nature and operation, airports by AAI belongs to a different category and they should be treated that way and any effort to club them along with airports developed by other agencies is against the established norms and principles laid.
3. Trivandrum Airport commenced its operation in 1935 and presently it is 82 years old. In addition to civilian operation, Trivandrum International Airport also caters to Indian Air Force and Coast Guards for their strategic operations. Trivandrum International Airport has been under the administrative jurisdiction of Airports Authority of India (AAI).
4. The airport was established as a part of the Royal Flying Club. The erstwhile Royal family of Travancore has funded the setting up of the airports. The first flight took off on 1 November 1935, carrying mails of Royal Anchal (Travancore Post) to Bombay. After Independence, the airstrip was used for domestic flights with construction of a domestic terminal: International operations were initiated by Air India to the cities in the Arabian Peninsula in the late 1970s using Boeing 707.

5. The growth in domestic passenger footfall at the airports was 30 percent in 2016, in the first nine months of the current fiscal. In comparison, the growth in national average registered in the period was 23.18 percent. At the Thiruvananthapuram airport, the domestic foot-fall registered in 2016 was 15.55 lakhs, against the 11.96 lakh passengers in the previous fiscal.
6. The airport revenue streams can be broadly divided into two in India viz aeronautical and non aeronautical. Aeronautical includes passenger service fee and user development fee. Both these are collected by the airlines and passed on to the respective airports
7. APAI feels that the Single Till mechanism for fixation of aeronautical & non-aeronautical costs is a time tested one. The evolution of Double and Hybrid Till are disruption and is synonymous with higher degree of commercialisation of airports. Commercialisation is mostly driven by entry of private operators and to retain their interest in the operations.
8. Trivandrum Airport, since it is a part of Airports Authority of India (AAI) network should not have ever thought of switching over to the Hybrid Till since it is run by AAI on the one hand and on the other it is used by multiple agencies like Air Force and Coast Guards. Ideally, a costing could have taken these factors into consideration rather than passing the entire burden to the passenger community.
9. Also, the airport being set up in 1935 and under the direct jurisdiction of the Raja of Travancore and later the kingdom got annexed to India, there is no direct initial cost incurred by the AAI in this regard. Later modifications and expansions undertaken by the AAI would have been funded by the revenue stream obtained by the footfall and various amenities run by the airport.
10. There is overwhelming opinion that airports created by AAI should remain under the purview of Single Till. There is evidence collated from Indian airports, which clearly proves how Single TILL model is advantageous in the Indian context in terms of ensuring affordability and thus throwing open air travel to the common man as envisaged as the goal of NCAP 2016. In the case of Hyderabad airport, AERA in 2014 fixed tariff on the basis of Single TILL and charged User Development Fee (UDF) at zero level. Even in that dispensation, the airport operator achieved its targeted Annual Revenue Requirement (ARR) as empirically proved by the government prosecutor who argued against the airport operator for his plea to switch over to Hybrid TILL.
11. Airports Authority of India (AAI) submitted in the said case of Trivandrum airport that it has earned Rs 530.94 crore during first control period as actual aeronautical revenue. Correspondingly AAI has submitted that it has shortfall of Rs. 350.72 crore during first control period. Therefore it was compelled to switch over to Hybrid Till. AAI in the consultative note circulated nor in the presentation made had not substantiated how did the shortfall has set in.



12. Under a Hybrid Till, only aeronautical assets are included as a part of the regulatory asset base. To switch over to hybrid till in the second control period, AAI has divided assets into aeronautical, non aeronautical and common components. Common components have been further segregated into aeronautical and non-aeronautical assets.
13. A cursory look at the segregation of the assets under various heads will reveal the casual approach adopted by AAI in segregating assets.
14. Similarly, there are other flaws in the computation and segregation of other heads such as depreciation, capital expenditure, fair rate of return etc. It is therefore, advisable to continue with the present system of Single Till as a matter of policy. Switch over to Hybrid Till will create abnormalities and will result in passenger community liable to pay more.

