



26 November 2015

WITHOUT PREJUDICE

OSD-II to Secretary
Airports Economic Regulatory Authority (AERA) of India
AERA Building, Administrative Complex
Safdarjung Airport
New Delhi 110 003
Email: radhika.r@aera.gov.in

Dear Madam Radhika,

CONSULTATION PAPER No. 09/2015-16: DETERMINATION OF DEVELOPMENT FEE IN RESPECT OF THE METRO CONNECTIVITY PROJECT FOR CHHATRAPATI SHIVAJI INTERNATIONAL AIRPORT (CSIA), MUMBAI

IATA appreciates the opportunity to respond to the Consultation Paper No. 09/2015-16 on 'Determination of Development Fee (DF) in respect of the Metro Connectivity Project for CSIA, Mumbai'.

IATA agrees in principle on the importance of providing good surface connectivity including rail connectivity for airports in India. However, for metro connectivity at CSIA, IATA does not believe that a non-dedicated rail line would significantly benefit air transport passengers using CSIA. It would be unjustified to get air transport passengers to fund the construction of the Metro connectivity for CSIA through a DF when it is going to be utilized mainly by daily-commuting rail passengers. IATA had consistently voiced this position at various stages prior to this Consultation Paper – at the time of the AERA Consultation Paper on tariff determination for CSIA in 2012 and at the stakeholder consultation meetings organized by MIAL in 2014.

IATA's reasons for strongly disagreeing with the proposal to fund the metro connectivity for CSIA through a DF levied on air transport passengers are elaborated as follows:

1. It is fundamentally wrong to expect air transport passengers to pay for construction of infrastructure associated with another mode of transport, since the reverse is also true that users of other modes of transport do not pay for construction of the airport. In the first place, the airport operator should not have agreed to pay for construction of the metro connectivity as the metro itself is public infrastructure that benefits the entire community and should be funded by the state and the costs recovered from metro rail users. It is not acceptable that having made an incorrect commitment, the airport operator then applies to transfer the cost burden onto users of the airport through an unfair funding method i.e. the DF.
2. The proposed metro stations at CSIA would be three out of 33 stations on Mumbai Metro Line 3 and therefore it is not a dedicated line for airport users. The line is

International Air Transport Association
111 Somerset Road, #14-05
Singapore 238164
Tel: +65 6438 4555
Fax: +65 6438 4666



invariably going to be very heavily used by daily-commuting rail passengers and as such it would not be in a position to adequately accommodate air transport passengers who usually travel with substantial luggage and would have great difficulty getting on and off the train when it is packed to capacity. As such, the full benefits of metro connectivity for the airport would not be realized.

3. Pre-funding is grossly unfair as it makes air transport passengers pay for facilities that have not been built and which they are not using and may never use. The user-pay principle is important and it should be actual users in future (when the facilities are operational) that pay and not present non-users. The approach leading to the determination of the initial DF introduced in May 2012 and the precedent set must not be perpetuated and used as justification to support similar pre-funding proposals such as this one.

IATA would like to express its concern about the process and principles that AERA has followed for this particular consultation, where there seems to be a risk of regression:

1. The AERA consultation seems to be fait accompli; driven by an instruction from MoCA to levy a DF to fund the metro connectivity for CSIA. For all prior consultations, the independence of the Airport Economic Regulator was established with AERA doing its own independent assessment, formulating a consultation process, and MOCA as well as other stakeholders responding to the proposals. The process here has been turned around giving the impression that a decision has already been made even before the consultation process has started. This does not bode well and can put into question the effectiveness and ability of AERA to carry out its economic regulatory function responsibly.
2. The issue of discriminatory charges and the ratio being used for splitting the DF between domestic and international passengers appears to be backsliding. Over many airport tariff consultations in the past, the question of whether international passengers should be charged many times more than domestic passengers for User Development Fee and DF had been taken up. In its order of 18 November 2013 (Order No. 34/2013-14), AERA had concurred with the airport's proposal to levy the same charges (User Development Fee and other charges) for both international and domestic operations.

Commenting on the specifics of the proposal contained in the consultation paper, IATA's views are as follows:

1. In the case of a possible escalation of project cost beyond INR518 crores, there should be no uncertainty that MMRC should bear the additional cost.
2. In the case where collection of DF exceeds INR518 crores, the entire excess amount must be channelled back towards offsetting aeronautical costs in the tariff determination process.



3. The revenues generated from commercial rights at all three metro stations must in its entirety go towards offsetting aeronautical costs in the tariff determination process. Under a pre-funding scheme, since the airport has no part in the funding of the metro connectivity project, it should not benefit from revenues generated from this project. The revenues should not be categorized in the same way as other non-aeronautical revenues but should be treated as aeronautical in nature, in view of the source of funding.
4. The 1:6 ratio used for splitting the DF to be paid by domestic passengers and international passengers is not appropriate. It suggests that international passengers would be more likely to significantly benefit from the rail connectivity than domestic passengers which is most likely untrue. IATA believes that a 1:1 ratio would be more appropriate and as mentioned, the principle was settled in AERA's order of 18 November 2013.

We request that our views expressed above be taken into consideration in arriving at a decision that would be in the best interest of Indian airport users.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Malvyn TAN", with a stylized flourish at the end.

Malvyn TAN

Lead – Airport Charges and Fuel, Asia Pacific