

ASSOCIATION OF PRIVATE AIRPORT OPERATORS

Regn No. S/64468/2009

Kiran Kumar Grandhi
President

R.K.Jain
Vice President

Satyan Nayar
Secretary General



*1875/Sanyal/10
8/12/10*

APAO/CP-07-2010-11/UDF/GHIAL/2

Date: 20 October 2010

Shri Sandeep Prakash

Secretary,
Airport Economic Regulatory Authority of India
2nd Floor, Administrative Complex,
Safdarjung Airport, New Delhi

*1875/Sanyal/10
8/12/10*

*AGM (R)
AGM (RBS)
recd - Secy*

Sub: Comments in respect of stakeholders comments on Consultation Paper No.7/2010-11 on Proposal of Revision of UDF at Rajiv Gandhi International Airport by GMR Hyderabad International Airport Ltd.

*10
09/11/10*

Dear Sir,

We thank the Authority for giving us an opportunity to examine and comment on the responses submitted by various stakeholders. It is observed that the stakeholders in general are in agreement with the proposal of the Authority to permit revision of UDF on ad-hoc basis at Rajiv Gandhi International Airport, Hyderabad.

We have observed that FICCI in their response has made out a good case for Airport to develop Non Aero revenue. They have cited with suitable international Airport experience that Non Aero revenue is critical for the Airport Operator and Airport must concentrate its development to increase their income. They have also mentioned that there is ample evidence that Airport users are currently not paying the full cost of the infrastructure they use and there is an under recovery of capital cost at the expense of the owners of the Airports.

We have also observed that few stakeholders have expressed certain reservations on the proposed revision. Our comments on such views are furnished below:

1. Ministry of Civil Aviation

Ministry of Civil Aviation in their letter dated 12th October 2010 have mentioned that MoCA has issued order regarding exemption to smaller Aircraft from Landing, Housing etc and a discounted rate for making payments by the Airline operators.

2. EMBRAER Asia Pacific Pte Ltd response.

M/s EMBRAER has submitted that imposing additional cost on Aircraft of 80 seater or less has a considerable negative impact and also the GMR's proposal may be rejected

Comments:

Airports are getting revenue from Commercial Aircrafts on account of their using the airport facilities but It is a fact that in the case of Airport sector the users are not paying the full cost of the infrastructure they use. Airports must recover costs / get revenue from 80 seater Aircrafts from their commercial operations on account of their using the airport facilities. However today smaller aircrafts with 80 seater capacity and below are totally exempted from payment of landing charges. This results in an unjustified burden on passengers in the form of higher UDF and higher charges on larger aircraft..

There is no justification now to give exemption to such smaller aircrafts as all the airlines are using such smaller aircrafts on a commercial business model for generating revenue and that too even between Metro Airports. Moreover, this is also against the principle of "User Pays". If at all Government wants some exemptions to be provided to such Aircrafts due to socio economic reasons a 100% Government funding system can be explored. Such service obligation funding are prevailing in many sectors. This will avoid unnecessary burden on passengers.

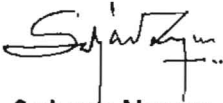
There is also no justification for giving 15% discount on early payments for domestic airlines. The mandated discount structure should be part of price cap and the UDF worked out after considering the discount structure. If a higher discount is being suggested by MoCA or by the Regulator, this will go towards increasing the UDF further as this higher discount will need to be included as part of price cap.

We request Authority to take into account our above submissions and also approve the proposal of Revision of UDF on ad-hoc basis at Rajiv Gandhi International Airport, Hyderabad considering their submission dated Oct 5, 2010.

We look forward to your kind consideration of our submissions on the Consultation paper. We will be more than happy to provide any further information on the above if required by the Authority

Yours Faithfully

For Association of Private Airport Operators



Satyan Nayar
Secretary General, APAO
Mob No + 91 98100 49839