

F. No. AERA/20010/MYTP/AAI-LKO/2011-12/Vol-I
Airports Economic Regulatory Authority of India

Minutes of the Stakeholder Consultation Meeting held on 06.05.2014
(Consultation Paper No. 01/2014-15 dated 21.04.2014)

Subject: In the matter of determination of aeronautical tariff in respect of Chaudhary Charan Singh International Airport, (CCSIA), Lucknow for the first Control Period (from 01.04.2011 to 31.03.2016).

A Stakeholder Consultation meeting was convened by the Authority on 06.05.2014 at 1500 hrs. 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. 01/2014-15 dated 21.04.2014 issued by the Authority setting out its tentative position in respect of the determination of tariff for aeronautical services at Chaudhary Charan Singh International Airport, (CCSIA), Lucknow for the first Control Period (from 01.04.2011 to 31.03.2016). The list of the participants is at **Annex – I**.

2. Chairperson, AERA welcomed the participants and requested Shri Rajesh Bhandari, Executive Director (Finance), AAI to make a brief presentation on the proposal, as has been the practice.

3. ED (Finance), AAI thanked the Authority for the opportunity and made a detailed presentation *inter-alia*, indicating the physical features of the airport, the additional features added to the airport and the components of project cost. He also presented the financials of the tariff proposal made by AAI indicating the key points in the Consultation Paper. He justified the proposed increase in tariff stating that the last revision was done in the year 2001 and after a gap of 8 years the rates of Landing, Parking and Housing Charges were increased by 10% in March, 2009 and that the rate of Passenger Service Fees (Facilitation) was last increased marginally by 10% in April, 2009. He pointed out that keeping in view the suggestions given by IATA, ICAO, FIA and other foreign airlines regarding discrimination of tariff between domestic and international sectors, AAI has proposed uniform tariff for Landing, Parking and Housing charges for both domestic and international movement at CCSIA, Lucknow. He stated that the level of services provided to International and Domestic aircraft operations is almost similar and that AAI has taken an initiative to apportion Airlines related aeronautical charges on equitable basis between International and domestic airlines.

4. ED (Finance) further brought out that fuel throughput charge has been kept uniform throughout the control period. He explained that AAI is leading from the front in fulfilling Government's Social Economic objective to spread the wings of Civil Aviation to the developing regions of the country and in its endeavour to promote regional connectivity and not to overburden the users, AAI has decided not to charge full cost of services during the remaining year of control period but to carry forward the Aggregate

Revenue Requirement (ARR) for the first control period amounting to Rs. 119.94 crores (PV as on 01.04.2011) to the next control period commencing from 1.4.2016 (the copy of the presentation is at **Annex – II**).

5. Chairperson thanked ED(Finance) for the comprehensive presentation made on various issues of the Consultation Paper and requested the stakeholders to put forth their views.

6. **Government of Uttar Pradesh:** Shri Pragyesh Mishra, Manager Operation, the representative of Govt. of UP stated that State Government is contemplating to start intra-state regional airlines. Since the distance travelled by the passengers by regional airlines will be comparatively lesser, the proposed UDF will unnecessarily enhance the air fare thus affecting the viability of an airline. Written submission of Government of UP was handed over during the course of the meeting.

7. **Federation of Indian Airlines (FIA):** Shri Ujjwal Dey, Associate Director stated that their written comments would be submitted and requested for extension of time by at least ten days for submission of comments on the consultation paper.

Chairperson, AERA clarified that delay in issue of Order will only increase UDF charges and as such requested for submission of views/comments within in the reasonable time as specified in consultation paper.

8. **Air India:** Shri Prabhat Mukherjee, GM (Fin) opined for continuation of differential tariff structure as prevailing at present in respect of domestic and international aircrafts. According to him, different tariffs structure for domestic and international flight is cost effective. Steep hike in fare was stated to be a cause of concern. Air India further opined that the revenue/yield of domestic flights are lesser than international flights, hence having same tariff rates for domestic and international sectors is not justified and steep hike not found reasonable.

Chairperson stated that UDF is calculated on a particular rationale, being airport specific based on the ARR calculated. Further, the Authority has been trying to evolve a consensus as to the relative ratio of Domestic UDF: International UDF and raising the issue for deliberation and discussion in the stakeholder meetings, in response to which IATA has been stating that the rates should either be the same or in the ratio of 1:2. Chairperson, AERA clarified that uniform aeronautical charges for domestic and international flights are as per the requests made by IATA and ICAO. According to them, there is no distinction in terms of operational expenditure on account of domestic and international flights and consensus may be evolved to arrive at the rationale for charging different, for which the comments of stakeholders are required.

9. **Air India Express:** Shri Kapil Aseri, Chief of Finance, Air India Express stated that linking the cost of capital project with whole sale price index (WPI) of 5.9% every year is not logical.

Chairperson, AERA clarified that WPI is a benchmark for showing the projection. There are other indexes such as Retail Price Index which is higher than WPI or Consumer Price Index which may also be considered for projections. However, the cost of project will be tried up on the basis of actuals and hence WPI shall not have relevance at that point of time.

10. **Hindustan Petroleum Corporation Ltd. (HPCL):** Shri Rajnish Mehta (GM), HPCL stated that rate of fuel through put charges @ Rs. 361.50/KL is being paid by their company since 2009. He felt that the charges are very high as compared to Trivandrum or Pune airports where the charges are Rs 139/KL and Rs. 136/KL respectively. He brought out that though the rate is a pass through, they require to be brought down to a reasonable level. He also stated that Uttar Pradesh is one of the largest State of the country and Lucknow airport being the capital, should have a reasonable tariff structure.

Chairperson, AERA clarified that fuel through put charges (FTC) is historical rate discovered by the market discovery mechanism especially at AAI airports. Further, AAI has proposed no change in the rate for next two years.

11. **Indian Oil Corporation Ltd. (IOCL):** Shri R. Sitharthan General Manager, IOCL pointed out that FTC @ Rs. 112/KL is being paid by them at Lucknow Airport. Hence the increase to Rs. 361.50/KL is quite high and change in the rate should be applied from a prospective date.

Chairperson, AERA requested AAI to clarify the differential charges applied to the Oil companies namely IOCL and HCPL for supply of fuel at Lucknow Airport. AAI confirmed that a report in the matter shall be submitted.

12. **Spice Jet:** Shri Debashis Saha, Associate Vice President, referred to the views of Govt. of UP and stated that they have aircrafts having less than 80 seater capacity, which are actually being levied Landing and Parking charges at AAI airports and other private airports, though there was a reference from MoCA earlier in 2005 that no charge shall be levied for aircrafts having less than 80 seats. According to Mr. Saha, in line with the plan of the Govt. of UP, Spicejet has a big expansion plan for increase in fleet with smaller aircrafts for regional connectivity with airports in the vicinity and as such requested that smaller aircraft should be encouraged with lesser aeronautical charges.

Chairperson clarified that the circular of MoCA is being considered by the Authority and has been made applicable at DIAL. However, the issue of levy of UDF in such cases should be looked at as a general policy by the State Government by taking it up with Central Government In case the policy is made effective, the shortfall, if any can be tried up and thus shall neither impact the airport operator nor the passengers.

13. Chairperson, AERA referred to the consultation paper regarding chargeability of UDF under two alternatives; Option – I @ Rs. 480 and Rs. 1000 and Option – II @ Rs. 350 and Rs. 1000 for domestic and international departing passengers respectively and requested the stakeholders for comments. In either alternative, there is shortfall in the

aggregate revenue requirement. The difference in shortfall with carrying cost in both the options is not large as less than two years of the control period are left for recovery. Chairperson, AERA observed that the contribution from Non-Aeronautical Revenue (NAR) to the total revenue as projected in the tariff proposal of CCSIA, Lucknow, appears very less and requested AAI to explore the possibility to increase the revenue from non-aeronautical tariff. It was informed by ED (Fin.) that MoCA has also advised AAI to increase the NAR which as per AAI, stands at 17% of present revenue at Lucknow Airport.

14. Shri S.C. Hota, Airport Director, Lucknow airport clarified that mainly advertisement rights and other concessions contribute 17% of Non Aero Revenue. Chairperson felt that at least 35% Non Aero Revenue should be the target and efforts should be made to increase the NAR from the present level.

15. In his concluding remarks, Chairperson thanked all the stakeholders for their active participation and requested them to furnish their comments/views on the Consultation Paper No 01/2014-15 by 15.05.2014, the last date for submission of comments.

16. The meeting ended with a vote of thanks to the Chair.

List of Participants:**Airports Economic Regulatory Authority of India (AERA)**

Shri/Smt

1. Yashwant S. Bhave, Chairperson - in Chair
2. Dinesh Chander Bajaj, Member
3. D. Devaraj, Member
4. Alok Shekhar, Secretary
5. C.V. Deepak, OSD-II
6. Radhika R., Jt. GM
7. A.B. Saxena, DGM
8. R.K. Gupta, AGM (Finance)
9. S. Dey, AGM (Finance)
10. Praveen Gupta, AGM(Finance)
11. Dheeraj Khanna, Manager (Finance)

Govt of UP

12. Pragyesh Mishra, Manager Operation

Airports Authority of India (AAI)

13. Rajesh Bhandari, ED (F&A)
14. Kalapana Sethi, ED (Planning)
15. S. Sreekumar, GM (Planning)
16. S.C. Hota, Airport Director (Lucknow)
17. Madhu Batra, GM (CP&MS)
18. Rama Grover, SM (EP)
19. R D Vishwakarma, Jt G M (Finance)
20. R. K Das, SM (Finance)
21. Satish Kumar, Manager (Finance)
22. Swati Singh, A.M (Finance)
23. K. Narsimaha. Supdt (Finance)

Air India

24. Pankaj Kumar ED
25. CA. Prabhat Mukherjee, GM (Fin)
26. Vinod K AGM (Finance)

Air India Express

27. Kapil Aseri, Chief of Finance

GMR Airport

28. Vikash Gangwal, Manager (Fin)

Federation of Indian Airlines (FIA)

29. Ujjwal Dey, Associate Director

Hindustan Petroleum Corporation Ltd.

30. R. Radhakrishnan, Head –Aviation SBU

31. R.K.Rai, Chief Manager – Aviation, Aviation SBU

32. Rajnish Mehta, General Manager

Indion Oil Corporation Ltd. (IOCL).

33. Ashutosh Chopra, Chief Manager

34. R.Sitharthan, General Manager

Spice jet Airlines Ltd.

35. Debashis Saha, Associate Vice President

36. Moin Wail, Dy. GM (Airport Service)

InterGlobe Aviation Limited (IndiGo)

37. Parveen Gupta, Asst. Director

ICWAI-MARF

38. Nisha Dewan, Joint Secretary

39 Yogendar Pal Singh (Sr. Officer)

40. Preeti Jain, project Associate

41. Harpreet Kaur, Project Associate