

CIAL/FIN
November 10, 2016

Chairman
Airports Economic Regulatory Authority of India
AERA Building
Administrative Complex
Safdarjung Airport
New Delhi-110 003.

भारतीय विमानपत्तन आर्थिक विनिमायक प्राधिकरण
साफदरजंग एयरपोर्ट, नई दिल्ली-110003

प्राप्त

सायरी नं: 5520
तारीख : 16/11/16

Sir,

Sub: Regulatory Approach aligning with Civil Aviation Policy -Reg.

This has reference to the stakeholders meeting convened by the Authority on 08-11-2016 at AERA premises ,New Delhi to consult the matter of aligning certain aspects of AERA regulatory approach with the provisions of new National Civil Aviation Policy-2016 approved by the Government of India.

During the meeting it was requested to submit the stakeholders' written submission, if any, before 15-11-2016 and we would like to offer the following remarks in this regard:

Cochin International Airport Limited (CIAL) along with other airport operators in this country had been requesting the Authority to implement Dual Till as the basis of aeronautical tariff determination in Indian airports. We further requested that, in case, Dual Till could not be implemented, atleast the Hybrid Till methodology should be adopted. However, the Authority after a detailed study of various till frameworks existing in other airports of the world, have brought out a White Paper on 22-12-2009 and Consultation Paper on 26-12-2010 indicating the merits and demerits of each till frameworks and finally took a decision that in the Indian airports Single Till is the best

framework, without assigning any reasons for arriving at that conclusion. Subsequently, AERA has issued firm orders/guidelines for determination of order under Single Till framework vide Order No.13/2010-11 dated 12-01-2011.

Airport operators had in fact challenged the above decision of the Authority in the Airports Economic Regulatory Appellate Tribunal. However, the Appellate Tribunal without going into the merits of the case has directed the Authority itself to look into the matter during the tariff determination process of each airport.

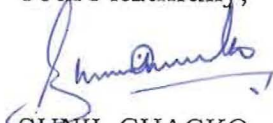
The Authority subsequently determined the tariff of Delhi and Mumbai airports under Hybrid Till by honoring the OMDA/Concession Agreement and also determined the tariff of Bangalore and Hyderabad airports under Hybrid Till itself owing to the reasons specific to those airports with certain riders. Eventually, the Authority's position on Single Till framework for Indian airports could not be implemented in many of the airports in its first instance itself. This had happened because of certain right decisions taken by the Authority at the appropriate time, taking into consideration the best interests of the Industry and for the stakeholders. We too had welcomed the act of Authority then and there itself.

In the meantime, the industry had started suffering from slackening of new investments into the sector, requirement of capacity additions, improvement in quality and cost effectiveness. Therefore, the Government of India while drafting the new National Civil Aviation Policy-2016 had conducted extensive studies and stakeholders consultations stretching to twenty months' period and came out with the revised policy which *interalia* stipulated for a 30% Hybrid Till framework for Indian airports regulations. The Government of India might have come to this conclusion, taking into consideration the overall national economic scenario, the overall business interests of airports and airline industries and its various constituents. Therefore, the need of the hour is to align the regulatory framework with the new National Civil Aviation Policy-2016, which essentially means the 30% Hybrid Till framework is the need of the hour. This will surely bring consistency and predictability in the till framework for all existing as well as future airport projects. Perhaps, one segment namely the airline industry alone may object to this for the reasons best known to all but in the long run, airline industry themselves will be the major beneficiary of the Hybrid Till framework as this framework will ensure reduction in the tariff in the long run and will as ensure additional investment into the sector, additional capacity expansion and improvement in the overall quality of the airport, in which, airline industry will be one of the biggest beneficiaries.

In this background, we would urge that AERA may implement the Hybrid Till framework without any further delay and define the changes required for the tariff preparations. We extend our wholehearted support to the Authority as well as to the Government of India in this process, so that the overall objective of the new National Civil Aviation Policy will be achieved soon.

Thanking you,

Yours faithfully,



SUNIL CHACKO
CHIEF FINANCIAL OFFICER