

240



14 September 2010.

Mr. Sandeep Prakash  
Secretary  
Airports Economic Regulatory Authority of India  
Rajiv Gandhi Bhawan,  
New Delhi – 110 003.

18/9/10  
OSD-11

SM (ABBS)

we have already fwd  
the soft copy to PWC.  
However pl. check  
if do fwd if not  
done earlier

Dear Mr. Prakash,

**Subject: Economic Regulation of Services Provided for Cargo Facility,  
Ground Handling and Supply of Fuel to the Aircraft – reg.**

18/9/10

We would like to acknowledge AERA's constructive approach in seeking the views of stakeholders in the framing of its regulation of services, and thank you for your invitation to participate in the stakeholder consultation meeting on 18 August 2010.

The detailed guidelines presented by you during the meeting have very lucidly defined the framework of tariff regulation applicable to cargo facilities. It was evident from the presentation and during the discussions that dedicated, self-handling cargo facilities like ours do not fall within the scope of AERA's regulatory framework.

As part of the express industry, which is a significant user of airports around the country, we call upon AERA to be 'mindful of the aims and objectives of the express industry', as you have stated in your Consultation Paper No. 3/2009-10, and we would like to make our submission as follows:

- **Dedicated, self-handling facility:** Worldwide, air express operators have functioned out of their dedicated, self-handling facilities that are intrinsic to the success of their business model. Any forced move to a common-user facility would severely cripple service quality and destroy the business model. In the interest of the dependence of numerous industries on air express distribution, and in the interest of trade and commerce, we would urge AERA to include in its scope of regulation of 'cargo facility', areas such as this that would have a significant impact on the economic development of the region.
  
- **Modulation of Charges:** The discussions during the stakeholder meeting implied that any exorbitant charge on lease rentals, for example, would be modulated by a corresponding decrease on aeronautical charges. However, we wish to point out that very large investments are made by us in our facilities to provide the distinctive service quality that we deliver. Invariably, these facilities are leased out to us by the airport operator on a short-term, temporary basis, necessitating the costs to be written down over a short period of time. Moreover, we are obliged to re-locate to alternate facilities and duplicate investments. These investments are not reflected in the till that influences aeronautical revenues. We are, therefore, subjected to a huge cost burden on account of the

large increases in lease rentals as well as our investments in temporary facilities. We request that AERA take into consideration some moderation in effecting reasonableness of these decisions and tariffs as they impact the cost of trade and competitiveness to the end user.

We also wish to bring the following important points to your attention:

- Airport charges must not be regulated in isolation from macro-economic realities.
- It needs to be recognized that trade and commerce play a crucial role in economic development. Therefore, the mandate of an airport should be a dual one for the facilitation of both passengers and goods.
- Air Express services are a core element of the transportation and communications infrastructure which is essential to this country's global trading activities. Consequently, their efficiency, reliability, scope and cost-effectiveness have a direct impact on national competitiveness.
- Air Express service providers operate some of the largest fleet of freighter aircraft worldwide, and use hundreds of airports daily as key hubs and links in their highly integrated global transportation and delivery network to support business and commerce.
- Airports play a pivotal role in providing the fastest and most reliable distribution network for millions of shipments each day.
- Alternate modes of transportation or airports are not an option for the air express industry. While some express operators may have set up their main hubs away from the busiest airports to facilitate their hub and spoke air network, they still command significant presence at all commercially active airports. **Air Express services must co-exist with business and commerce and cannot be relegated to isolated airports.**
- The cost of air services, including airport charges account for a significant proportion of costs for Air Express operators.
- While individual operators can influence costs under their direct control, they are far less able to do so for a monopoly infrastructure such as an airport. Consequently operators are largely dependent on airports for their efficiency and cost effectiveness and, therefore, their operational competitiveness.
- Facilities for passengers are in stark contrast to those required for cargo. While substantial investments are made for the comfort of passengers, Air Express operators like us are allocated land in which to construct our own facility, or facilities that have been in existence for decades without any significant investment. Charges should therefore be objectively justified and proportional.

242



As mentioned earlier, the development of India's telecom infrastructure has made a dramatic difference to the lives of millions by bringing communication costs within the reach of the common man. Development of the airport infrastructure should similarly serve a national service by facilitating the movement of many more people and goods. The resultant impetus to our economic growth would benefit both airport operators and users alike.

With kind regards.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tulsi Nowlakha Mirchandaney", written over a horizontal line.

**Tulsi Nowlakha Mirchandaney**  
Managing Director.