

To: Sandeep Prakash <sandeep.prakash@aera.gov.in>, Sandeep Prakash <sandeep.moca@nic.in>
Date: Tue, 24 Aug 2010 12:52:33 +0530 (IST)
Subject: Feedback on Consultation Paper No.05/2010-11
Dear Sandeep,

warm greetings from Fraport India. We have collated our comments to Consultation Paper No. 05 / 2010-11 which I hope you will find useful.

Perhaps as a general remark overall we do find the consultation paper a fairly balanced document. However, the documentation requirement by the service providers seems to us pretty extensive. It is therefore our view that AERA should take another look at what documentation really is required for regulatory purposes in order to reduce the administrative cost and burden associated with the collation, verification and submission of such documentation.

Another observation is that we feel AERA should see its role more as one of oversight to prevent actual abuse of monopoly positions wherever such a situation might exist/arise and investigate and prevent cartelisation between two or more service providers. The price cap approach suggested for airports where a service provider is considered to be materially involved and in a non-competitive environment bears the risk of an "over-enthusiastic" regulatory approach with insufficient regard for actual input costs.

Best regards,

Ansgar

*Ansgar Sickert, MBA, MSc
Managing Director
Fraport India
Paharpur Business Centre
Suite 302
21, Nehru Place
New Delhi - 110 019
India
Tel. +91 11 4120 7355*

© 2010 Microsoft | Terms | Privacy | Advertise

Help Center |

*Fax +91 11 4120 7558
Mob. +91 99 1038 2806
Email Ansgar.Sickert@fraport.in
Web www.fraport.com*

Council Member of the European Business Group in India

--

C.V.Deepak
+91 9868100459

Feedback on the AERA Consultation Paper No. 5 / 2010-11

Economic Regulation of Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft

Page	Item	Comment
Cover Letter (F.No. AERA /20019 /CGF-G/2010-11)		
2	3. c)	1. Contracts are often concluded over a period of more than one year. Any review of tariffs should ensure that contracts concluded in prior years will not be invalidated by annual tariff reviews.
	3. d)	2. Light touch regulation is to be welcome. Contracts are often concluded over a period of more than one year. Any review of tariffs should ensure that contracts concluded in prior years will not be invalidated by annual tariff reviews.
	3. e)	3. This suggests that although tariffs will be proposed for a period of 5 years, they will be fixed annually. Any review of tariffs should ensure that contracts concluded in prior years will not be invalidated by annual tariff reviews.
	3. f)	4. Such payments should include any up-front "safety deposits" service providers may have to make as these are likely to be non-interest bearing and as such constitute dead capital for the service provider.
	3. g)	5. In smaller airports where there are a smaller number of competing service providers, the quality of service may be compromised due to a lack of

Page	Item	Comment
		competition, despite service level agreements. In such cases, the regulator may wish to review this approach.
	3. h)	6. In smaller airports where there are a smaller number of competing service providers, the quality of service may be compromised due to a lack of competition, despite service level agreements. In such cases, the regulator may wish to review this approach.
<p><i>1. Draft of "The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2010"</i></p>		
7	3.4	7. Price cap regulation has the potential disadvantage that it may not take sufficient account of dynamic input costs. As a result a price cap may undermine any legitimate profit margins of the operator. A more market oriented approach aimed at preventing overcharging and cartelisation should be adopted.
8	3.7	8. This could mean that you have tariff disparity between the "new" and the "old" Service Providers if they are not submitted to the same regulatory control.
8	3.8	9. In the event that several service providers cease to provide services the regulator should investigate the reasons for this development. In the event that the regulatory formula applied has played a role in rendering service provision

Page	Item	Comment
		economically non-feasible the formula should be amended in a defined time-bound manner.
8-10	4.1 – 4.3	10. The Materiality Index for all three items: Aircraft Movements (5%); Cargo Volumes (2.5%) and International Ground Handling Volumes (5%) seem unreasonably low given that only a small number of airports handle most cargo and international movements. Indices should be increased to 7.5%, 5% and 7.5% for the respective categories to reflect materiality.
10	5.1	11. The regulator should propose which measures it would introduce to avoid cartelisation in the event of a “non-competitive” situation at a major airport.
50	10.2	<p>12. Involvement of stakeholders is clearly important and desirable for both determination of charges as well as the level and quality of services on offer.</p> <p>However, in order to make a stakeholder consultation exercise effective and efficient, it should:</p> <ul style="list-style-type: none"> • be time-bound • follow a defined process • provide for a mediation mechanism in case no mutually-acceptable solutions are arrived at <p>AERA should define the time-lines as well as the stages/elements of the consultation process according to best practice principles. It should also</p>

Page	Item	Comment
		either provide the mediation mechanism directly or outline the framework for such a mechanism.
<i>Appendix I</i>		
51	AI.1.3	13. AERA should provide a template for the Multi-Year Tariff Proposal in order to ensure easy comparability and consistency of submitted proposals by service providers in form, content and structure.
52	AI.2.4.2	14. AERA should provide a template for the Service Provider Business Plan in order to ensure easy comparability and consistency of submitted proposals by service providers in form, content and structure.
	AI.3	15. <i>see comment no. 14 above</i>
58	AI.4.3.5	16. AERA should provide a template for the 10 year Capital Expenditure Plan in order to ensure easy comparability and consistency of submitted proposals by service providers in form, content and structure.
64	AI.5.1 – 5.3	17. AERA should provide templates for the 10 year Historical Volumes and Traffic Forecast Model in order to ensure easy comparability and consistency of submitted proposals by service providers in form, content and structure.
<i>Appendix II</i>		
68	AII.1.3	18. ATMs may not be an accurate predictor for materiality of fuel supply at an airport. ATMs may be dependent on several factors other than demand such as traffic mix. A large number of small and/or GA aircraft could still amount to

Page	Item	Comment
		considerable ATMs which would not necessarily lead to substantial fuel consumption volumes. A better indicator would be fuel throughputs measured in metric tons, kilo litres or some other suitable unit of measurement.