

ASSOCIATION OF PRIVATE AIRPORT OPERATORS

Regn No. S/64468/2009

Kiran Kumar Grandhi
President

R.K.Jain
Vice President

Satyan Nayar
Secretary General



APAO/AERA / CP 02-2011-12

Date: 13th May 2011

Shri Sandeep Prakash

Secretary,

Airport Economic Regulatory Authority of India

2nd Floor, Administrative Complex,

Safdarjung Airport, New Delhi

Handwritten signature and date: 16/5/11

AGM (APAS)

**Sub: Comments in respect of Consultation Paper No.02/2011-12 dated
21st April 2011 on Review of Levy of Development Fee (DF) – IGI
Airport, New Delhi.**

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Dear Sir,

Please refer to AERA Consultation Paper No 02 / 2011-12 dated 21st April 2011 regarding "Review of Levy of Development Fee (DF) at IGI Airport, New Delhi". Comments of APAO on the above consultation paper are furnished below:

India being a developing country the significance of encouraging investments in infrastructure sector especially in Airports cannot be over emphasized. Indeed, one of the objectives behind AERA Act 2008 is to promote investments into this sector. Non availability of adequate and timely funds will lead to stifling of efficient development and growth of the sector. Internationally, it is an accepted practice that Development fees are levied for financing the cost of up gradation,

expansion or development of Airports and various Airports around the world have levied Development fees for pre financing purposes.

Pre funding is recognized as one of the most appropriate means of financing long term and large scale investments in Airports. ADF as a means of regularizing funding is akin to prefunding despite commissioning of Airport. The Development fee collected is used for building Airports and the asset built by the private Airport Operators goes back to Govt. of India at the end of the concession period and hence these national assets built by private operators are in the larger public interest. The participation of private players has infused efficiency in execution of Airport infrastructure projects. Private operators must be encouraged and complimented in building such national assets.

ADF is a Capital receipt. Hence tax shield should not be used for computing discounting rate. From the Consultation paper it is seen that the efficacy of the spent has been audited and found to be satisfactory as there is no significant unreasonableness of the expenditure. APAO is of the opinion that timely completion of such challenging projects with quality infrastructure needs to be rewarded and not penalized as otherwise it would send negative signals in the market and will discourage private operators in taking up PPP projects in future.

In view of the above APAO would request the Authority to accept the proposal of DIAL. We hope the Honorable Authority will consider our submissions while finalizing the Development Fee proposed by IGI Airport, New Delhi.

Yours Faithfully

For Association of Private Airport Operators



Satyan Nayar

Secretary General, APAO

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