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Dear Shri Prakash,

CONSULTATION PAPER No. 02/2011-12

IATA would like to provide its comments to the Consultation Paper No. 02/2011-12 on 'Review of Levy of Development Fee – IGI Airport, New Delhi' as follows:

- Where facilities have already been built and are being used by passengers and airlines, IATA, in principle, has no objection to the levying of a Development Fee (DF). However, the current difference in DF between domestic and international departing passengers should be reviewed and full transparency provided as to the basis for the difference. The current ratio of 6.5 times of the DF for international passengers to the DF for domestic passengers is very high by international norms and should be moderated. The typical ratios observed internationally vary between parity and four times.
- IATA is against the inclusion of any future development costs (i.e. cost not already incurred) in the total project cost used for determination of airport charges or Development Fee. The ATC Tower Cost (Rs 350 crores) is one item that should be excluded notwithstanding the comments made by Airports Authority of India (AAI) that it is needed for this current phase of the airport development project. IATA cannot support the unfair practice of getting existing users to pay for facilities that they do not use (because it has not been built) and may not use in future.
- Clause 3.1.1 of the State Support Agreement between DIAL and the Government of India is clear on the treatment of the Upfront Fee and the Annual Fee paid by DIAL to AAI. These fees are the key components of DIAL's bid for the contract to develop Indira Gandhi International (IGI) Airport and should be solely borne by the bidder. Allowing this cost to be passed through to the industry sets an unhealthy precedent for future airport privatization initiatives that encourages bidders to put in high payouts to AAI knowing that the cost would be absorbed by the industry. IATA believes that AERA has a third option in dealing with the Upfront Fee (and the Annual Fee) which is in consonance with Clause 3.1.1 of the SSA and that is to exclude these fees from both the project cost as well as

the Regulatory Asset Base. AERA should not allow any of these fees to be shouldered by the industry.

- IATA is most concerned about the huge escalation in project cost for the development of IGI Airport. From the auditors' report, it would seem that there was a serious lack of attentiveness to project budget or the need to contract works at the most cost-efficient price. IATA believes that the airport needs to be held accountable for cost over-run. AERA should not relent to the huge cost increases in the development of IGI Airport by simply allowing the adverse cost impact of a glaring short-coming in project cost management to flow through entirely to the users. AERA should stand firm on admitting only the original project cost and place the onus on the airport to justify any additional cost that it seeks to be included.
- IATA fully agrees with AERA's position outlined in Clause 13 (n) of the Consultation Paper that the costs mentioned at Clauses 13 (k), (l) and (m) "should be capped at the presently estimated levels and in no case any escalation should be allowed in these cases".

Thank you.

Yours sincerely,



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