

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 17th July, 2020 at 11:00 AM on Virtual Platform.

- 1. CONSULTATION PAPER No. 15/2020-21 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR 3rd CONTROL PERIOD (F.Y. 01.04.2019 TO F.Y. 31.03.2024) IN RESPECT OF INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI (DIAL).**

AERA Act, 2008, Sec.13, Clause-4 (a) empowers AERA to ensure transparency in Consultation Process for determination of tariff in the wider interest of the public and the stakeholders. Accordingly, a Stakeholder Consultation Meeting was convened by the Authority on 17.07.2020 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 15/2020-21 dated 09.06.2020 issued by the Authority to consider the Multi-year Tariff Proposal for the 3rd Control Period (FY.2019-20 to FY.2023-24) in respect of Indira Gandhi International Airport, Delhi. The list of participants is enclosed at **Annexure-I**.

2. The Director (P&S), AERA welcomed all the participants/stakeholders to the Meeting especially, the stakeholders from M/o Civil Aviation, representatives from Airports and Airport Associations like Airport Authority of India (AAI), Association of Private Airport Operators (APAO), representatives from various international airports like DIAL, CIAL, BIAL, MIAL & Adani airports, representative from Airlines and Airlines Associations i.e., Air India, Indigo, Spicejet, FIA and BAOA, International Body, IATA and representatives from Industry Bodies i.e., Federation of Indian Chambers and Commerce Industry (FICCI).

3. The participants were informed that the Authority initially invited comments from all the Stakeholders till 08th July, 2020. Thereafter, on request of some of the Stakeholders for further extension to the timelines, the Authority accepted the request of stakeholders and extended the last date for submission of stakeholders comments to 31st July, 2020. Further, the Authority believes that this consultation process is essential part of tariff determination as per AERA Act and helps focus on investments in airport facilities for their efficient, economic and viable airport operations and also to protect reasonable interests of passengers. It was further emphasized that Stakeholder Consultation Process has shifted to online (virtual) mode due to situation arising out of COVID19 pandemic, so as to ensure health safety of all in line with GoI guidelines while at the same time ensuring transparent consultation process.

4. Chairperson, AERA in his opening remarks once again welcomed all the participants to the meeting and set forth the agenda for the meeting i.e. to discuss the viewpoints of the stakeholders concerning Consultation Paper No.15/2020-21 issued by AERA for Tariff Determination of Indira Gandhi International Airport for 3rd Control Period. Chairperson, AERA thanked all the stakeholders/participants for joining this consultation process on virtual platform especially IATA representatives as many of them who joined from abroad like Geneva and Singapore as their inputs

are very useful and important in the Consultation process to form a global perspective in the proceeding. Similarly, he also thanked all the private JV airports in India, consultants associated with AERA in the process, M/s SBI Caps, M/s R. Subramanian & Co., IIM (B).

5. Chairperson, AERA briefly touched upon the subject matter of the Consultation Paper and stated that we never anticipated having this meeting during this calamity or pandemic which devastated the economies especially the Civil Aviation Industry across the world. The Chairperson also advised all the stakeholders to discuss among themselves and come up with joint presentations or points especially on traffic, capital expenditure and O&M expenditure. In addition to this, it was brought to the notice of the participants that a few areas were being dealt with for the first time, such as Cost of Equity, Refundable Security Deposits, consideration of 'S' Factor for aeronautical taxes and also 1% penalty for delay in implementation of the Phase-3 A project and comments of stakeholders are invited on these issues.

6. Director (P&S), AERA, then invited Mr. Videh Jaipurkar, CEO, DIAL to make a brief presentation on C.P. No.15/2020-21.

Delhi International Airport Limited

7. Mr. Videh Jaipurkar, CEO, DIAL gave a brief Presentation (PPT) on Consultation Paper No.15/2020-21 for determination of tariff for 3rd Control Period. A brief on the performance of DIAL in the last two years, details of the airport expansion project, and, traffic projections, was presented. The PPT covered the following details:

7.1 Indira Gandhi International Airport, New Delhi is the first airport in India to be IATA e-AWB 360 compliant in 2018 and IATA e-freight compliant in 2013. IGIA has state of the art commercial development assets, metro connectivity, largest capacity of cargo handling in India, the first Indian airport to be rated 4 stars by Skytrax, and is rated best airport in India/Central Asia for two consecutive years. Delhi Airport was also conferred Cargo Airport of the year – India region by THE STAT Times International for excellence in air cargo. IGIA earned LEED Platinum certification for Terminal-3 awarded by US Green Building Council, the first instance of an Indian airport achieving the certification.

7.2 Currently, Delhi Airport has the capacity to handle 12,800 bags per hour, has 6.8 km of conveyer lines, 43 x-ray screening machines with automatic threat detecting capabilities, and automated baggage handling system. Taxibots have been introduced to save fuel used by airlines, about 213 litres per flight, which has improved apron safety with reduction in wear and tear of aircrafts and reduced noise pollution.

7.3 Delhi Airport has introduced XOVIS People Tracking System in Terminals 1 & 3. DIAL has also implemented Express Check-in at Terminal 2, Touchless Passenger Processing due to Covid-19, Self-Ordering Kiosk and a 24/7 Social Media Response Center. Delhi Airport has the best response time of all airports in the world – 11 to 12 minutes. A play area for children has also been introduced.

7.4 When GMR took over operations for Delhi Airport in 2006, it was ranked 101 in ASQ rankings but is now top ranked as per the latest rankings by ASQ. During this period all parameters have improved substantially. The number of ATMs per day has also improved from 414 to 1310. Before the onset of covid-19 the airport received around two lakh passengers per day. DIAL has added over 50 new destinations and has achieved 85 ATMs per hour. The terminal capacity has increased from 12 MPPA to 66 MPPA and DIAL generates 7.84 MW of renewable energy source for internal consumption.

7.5 Chief Development Officer (CDO) of DIAL gave a brief overview on the Expansion project of IGIA. For the current expansion project, DIAL is rebuilding Terminal-1 whose area is being increased from 64,140 m² to 193,000 m². An elevated cross taxiway is being constructed which would be 8.5 m over the central spine road and the Radisson underpass is also being constructed. A fourth runway is being added to ease the capacity being handled by Delhi Airport and it is expected to be completed in a few months. The oldest Runway 9/27 is being recarpeted and two parallel taxiways to runway 9/27 & runway 10/28 are being added. Rapid Exit Taxiways are also being added to taxiways for ease in operations.

7.6 In Terminal-1, the area is being increased from 64,140 m² to 193,000 m², the entry gates are being increased from 16 to 26, CUSS kiosks are being increased from 5 to 108, 36 self-baggage drop counters are being added, capacity of handling hand baggage is being increased from 140 bags per hour to 300 bags per hour. Terminal-1 would have 22 contact gates and 13 bussing gates instead of 15 bussing gates after completion of expansion project. Arrival hall of Terminal 1 has 8 baggage belts of 52m each which would be replaced with 10 belts of 70 m each. The Apron area of Terminal 1 would increase to 629,285 m² from 282,000 m². The length of total taxiways would increase from 44 km to 60 km; parking stands would increase from a total of 55 to 60 remote stands and 22 contact stands with fuel hydrant available for all stands. The remote stands would also receive electrical power supply. The number of fire stations would increase from 4 to 5.

7.7 The passenger capacity of Terminal 1 would be 40 MPPA from the existing capacity of 20 MPPA. The departure terminal of Terminal 1 would have 9 integrated lanes whereas the arrival terminal of Terminal-1 would have 11 integrated lanes. The works for another metro line for Terminal-1 is being undertaken by DMRC.

7.8 In Terminal-3, the International Transfer area is being increased from 1,575 m² to 2,900 m² and a seventh check-in island is being added.

7.9 DIAL then highlighted the measures being taken to safeguard passengers and staff against Covid-19 with their aim being to make IGIA one of the safest airports in the world during the Covid-19 pandemic. The entry gates are segregated for domestic flights such that adequate safety measures can be maintained. Trolley disinfection system has been put in place and IGIA is the first airport to introduce UV baggage disinfection system. Shoe sanitizing carpets have been introduced in Terminal 3 to disinfect shoes of people entering the airport. The 100% thermal screening of departing and arriving passengers has been implemented with social distance markings placed in the airport along with contactless boarding gates to ensure the safety of passengers. Every cab in the airport is properly sanitized before use and the terminal is sanitized regularly to avoid infections.

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7.10 Chief Financial Officer (CFO) of DIAL then highlighted the impact Covid-19 has had on current traffic and revenue projections. The traffic has been badly impacted in F.Y-21 with only 0.2 Million Passengers during the months of April and May and 0.9 Million Passengers for the month of June. As per ACI, a 50.4% reduction in traffic is expected all over the world during F.Y-21. ICF International, an aviation consultancy firm, expects air traffic to fall by 60%. It is expected to take 3-4 years to recover to pre-COVID levels.

7.11 For Delhi Airport, the domestic traffic for F.Y-20 was 49.5 MPPA and the international traffic for F.Y-20 was 17.8 MPPA. In F.Y-21, the domestic traffic is expected to fall to 15.1 MPPA and the international traffic to 3.3 MPPA, if all the borders open shortly. The passenger traffic is expected to reach F.Y-20 volume only in F.Y-24 when the traffic is expected to be 73 MPPA. The ATMs for domestic flights are expected to fall to 131,000 against 340,000 in F.Y-20 and for international flights they are expected to fall to 33,800 against 109,000 in F.Y-20. The ATMs are expected to recover to F.Y-20 levels only in F.Y-24.

7.12 IATA expects revenue per passenger to fall by 48% due to the pandemic and by 50% in case of Asia Pacific region. Asia Pacific is expected to take 3-4 years to recover to pre- Covid levels. The revenue share from Revenue Share Assets is going to fall drastically due to Covid-19. The revenue from Revenue Share Assets during FY20 was Rs. 1,985 Cr and is expected to fall to Rs.839 Cr. in FY21. The revenue from Revenue Share Assets would reach pre- Covid levels at Rs.1,966 Cr. only in FY-24.

8. Chairperson, AERA enquired about the impact of Covid-19 on Expansion Capex and the basis of revised traffic projections being considered by DIAL and requested to respond on both of the points after the viewpoints of the stakeholders in the meeting.

9. The forum was then opened for stakeholder views/comments which are as follows:-

Airport & Airport Associations:-

9.1 Airports Authority of India (AAI):-

AAI informed that they would submit their viewpoints in writing within the stipulated date.

9.2 Association of Private Airport Operators (APAO):-

Mr. Satyan Nayar, representative of APAO agreed with the points made by DIAL in their presentation and did not offer any additional comments stating that they would submit their written comments before the stipulated date i.e., July 31, 2020.

9.3 Bangalore International Airport Limited (BIAL):-

Mr. Kiran, representative from BIAL stated that they have no any comments on the consultation paper.

9.4 Mumbai International Airport Limited (MIAL):-

Mr. Sanjiv Bhargava, representative from MIAL commented that it would be better to release the independent studies report before the Consultation Paper so that a better insight may be developed by the airport operators. Further, MIAL stated that they would submit their written comments before July 31, 2020.

9.5 Adani Enterprises:-

Mr. Madhur Arora, representative from Adani Enterprises stated that they would submit their comments in writing before July 31, 2020.

International Air Transport Association:-

10. Mr. Cessar Raffo, representative of IATA joining the proceedings from Geneva asked AERA on their effective regulation. They are of the view that the projections in the consultation paper have to be relooked on account of Covid-19 as currently there is uncertainty on future traffic and any forecasting attempt would be inaccurate. They indicated that airlines are going through difficult financial circumstances and combined with low consumer confidence, any significant increase in charges would undermine recovery.

10.1 IATA expected significant decrease in capex levels, opex levels globally due to the ongoing pandemic and indicated that delaying expenses and considering them for true up due to uncertainty in traffic projections could create a huge impact on the stakeholders. They suggested to AERA to make adjustments to aeronautical charges with best estimates available, while maintaining consistency across building blocks as low traffic for the coming years would imply low expenses and low revenue.

10.2 IATA indicated that DIAL's presentation did not take into account the impact of Covid-19 on their capex plans. IATA suggested a delay in capex by few years and recommended a freeze on all capex currently in order to reprioritize investments. A comprehensive review of traffic projections was recommended considering the current scenario and investment decisions are to be taken based on the outcome of the projections.

10.3 IATA requested AERA to have consultations with all stakeholders in a meaningful manner as the airlines were fighting for survival even before the Pandemic began and they have no money to pay for investments. They agreed with the true up for First and Second Control Periods in the Consultation Paper, but raised an issue on asset allocation on the basis of surface area as they consider it not to be based on external realities. IATA indicated that the current asset allocation structure assumes that both aero and non-aero streams would co-exist but as the current situation shows, aeronautical services have resumed whereas the non-aeronautical services have not resumed yet. They also suggested a more detailed study be undertaken on efficient O&M cost segregation.

10.4 IATA suggested assessing relative risk with comparators while computing WACC, with Traffic risk allocation being a major factor to be considered during

WACC computation. IATA would share all their viewpoints in writing by July 31, 2020.

Airlines & Airlines Association:-

11. Air India:-

Mr. Manoj Kumar, representative from Air India informed that they are going through the proposals and would submit their viewpoints by 31 July 2020.

12. SpiceJet:-

Mr. G P Gupta, CSO, SpiceJet agreed with the points raised by IATA and added that aviation is the hardest hit industry due to the pandemic, especially in India. They mentioned the hostile cost environment in India where ATF prices are one of the highest across the world, and taxes on ATF are probably the highest in the world with no credit available to airlines. They requested AERA and DIAL to bring costs down to lowest possible level as it would help rebuilding traffic levels and developing airport hubs across India. SpiceJet also informed that they would share all their viewpoints in writing before the July 31, 2020.

13. Business Aircraft Operators Association (BAOA):-

Group Captain Bali, representative from BAOA commented that uncertain times would continue for atleast another year and the airport development of DIAL should be hastened, not altered, as due to low traffic construction would take less time to complete. BAOA suggested that DIAL should hold regular consultations with stakeholders on their Master Development Plan, twice a year, so that the plan could be implemented in the right spirit. They agreed with the transfer of Fuel Throughput Charges amongst every billable passenger and requested for the rationalization of aeronautical charges applicable to non-scheduled operators. AERA was advised to consider applying the Housing Charges and Ground Handling Charges, even when leased to a third party. BAOA informed they would submit all their viewpoints in writing by the stipulated date for submission.

Independent Service Providers:-

14. Delhi Aviation Fuel Facility Private Limited (DAFFPL):-

Mr. Rakesh Arora, representative from DAFFPL mentioned about the low revenue levels due to Covid-19 and hoped for recovery as early as possible. They mentioned that they would provide their viewpoints in writing within the stipulated date.

15. Federation of Freight Forwarders' Association in India (FFFAI):-

Mr. Vipin Vohra, FFFAI did not have any specific queries on the Consultation Paper but asked a clarification on the role of Concessionaires. They brought into notice the high rates of trolleys and their lack of availability after concessionaires were appointed to manage trolleys.



16. Federation of Indian Chambers and Commerce Industry (FICCI):-

Mr. Manoj Mehta representative from FICCI insisted on the need to create an ecosystem to bring back passengers. Airlines were suffering even before Covid-19 crisis began and there is no necessity to add taxes on passengers during the current times. They agreed on continuing the expansion plans of DIAL.

Delhi International Airport Limited (DIAL):-

17. DIAL, in response to the viewpoints raised, indicated that they are looking at a gradual rise in traffic over the coming years and with the Government gradually opening more slots for flights, the number of passengers would increase gradually, but would be nowhere near the pre-Covid capacity levels. They informed that the business travel is improving slowly but the vacation traffic which is a huge part of the total traffic during the first quarter is yet to resume. DIAL indicated that more effort has to be put in to bring back the rest of the traffic.

17.1 DIAL further clarified that they would continue the works related to expansion capex, and expect an increase in project cost due to the delay of 3-6 months caused due to issues in remobilizing labour. They insisted on the necessity of the expansion stating that they were already handling more passengers than the existing capacity as of F.Y.2020 and expect the project to take 3 more years to implement with no further delays. DIAL has noted the points raised by IATA and other stakeholders, and would respond to them after receiving all the comments.

Ministry of Civil Aviation (MoCA):-

18. The Ministry of Civil Aviation informed that they would submit their viewpoints in writing by due date.

19. The meeting concluded with a vote of thanks from Shri Subrata Samanta, Member AERA. He expressed gratitude towards all the participants for expressing their views not only on Consultation Paper but also on the current scenario and the future of aviation industry. The current situation was highlighted and a change is expected in operating expenses, traffic projections of DIAL, capex and completion date of the expansion project. AERA would wait for feedback from DIAL and if the changes are considerable, they might come out with a separate Consultation Paper or an addendum to the current Consultation Paper. The challenges faced by airlines and airport operators were acknowledged. AERA would consider all the viewpoints raised by stakeholders before taking any decision pertaining to tariff determination of IGIA for 3rd Control Period.

On behalf of AERA, Member AERA once again thanked all the participants for making the meeting a success.


(Ram Krishan)
Director (P&S)

List of Participants: -

Airports Economic Regulatory Authority of India

1. Mr. B S Bhullar, Chairperson
2. Mr. Subrata Samanta, Member
3. Col. Manu Sooden, Secretary
4. Mr. Ram Krishnan, Director (P&S)
5. Ms. Geetha Sahu, AGM (Fin) – Tariff

Airports Authority of India

1. Mr. Vinayak Rao, Member Finance
2. Ms. Vidya, GM Finance

Delhi International Airport Limited

1. Mr. Videh Kumar Jaipurian, CEO
2. Mr. D J Reddy, CDO
3. Mr. GRK Babu, CFO

Representatives from other Private Airport Operators

1. Mr. Satyan Nayar, Association of Private Airport Operators
2. Mr. Kiran, Bangalore International Airport Limited
3. Mr. Sanjiv Bhargava, Mumbai International Airport Limited
4. Mr. Madhur Arora, Adani Enterprises

International Air Transport Association

1. Mr. Cesar Raffo, Geneva
2. Mr. Amit Khosla, New Delhi

Representatives from Airlines

1. Mr. Manoj Kumar, Air India
2. Mr. G P Gupta, CSO, SpiceJet

Independent Service Providers

1. Mr. Rakesh Arora, Delhi Aviation Fuel Facility Private Limited
2. Mr. Vipin Vohra, Federation of Freight Forwarders' Association in India
3. Group Captain Bali, Business Aircraft Operators Association

Industry Associations

1. Mr. Manoj Mehta, Federation of Indian Chambers and Commerce Industry

SBI Capital Markets Limited

1. Mr. Vedavyasa Rao, Vice President
2. Mr. Aarani Subhanathan S, Vice President
3. Mr. Nimesh Nagar, Deputy Manager