

File No. AERA/20010/MYTP/AIA-Nagpur /CP-II/2016-17/Vol-II
Airports Economic Regulatory Authority of India

**AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi – 110 003.**

Date: 07th August, 2020

Public Notice No. 11/2020-21

Sub: Comments/Submissions received from stakeholders on the Consultation Paper No. 31/2020-21 dated 22.07.2020 regarding the Provision of Compensation in lieu of Fuel Throughput Charges at Dr. Babasaheb Ambedkar International Airport, Nagpur.

Attention of all concerned is invited to Consultation Paper No. 31/2020-21 dated 22.07.2020 regarding the Provision of Compensation in lieu of Fuel Throughput Charges at Dr. Babasaheb Ambedkar International Airport, Nagpur, vide which the Authority had sought comments from the stakeholders.

2. In response thereof, the Authority has received comments/submissions from the following stakeholders.

| Sl. No. | Stakeholders |
|---------|---|
| 1. | <u>InterGlobe Aviation Limited (Indigo)</u> |

The comments/ submissions received, as above, are attached for information of all concerned.


(Ram Krishan)
Director (P&S)



August 6, 2020

To,

Airports Economic Regulatory Authority of India

AERA Building, Administrative Complex,

Safdarjung Airport, New Delhi – 110003

Kind Attention: Shri. B.S. Bhullar (IAS), Chairperson, AERA

Ministry of Civil Aviation,

Rajiv Gandhi Bhawan, Safdarjung Airport,

Aurobindo Marg, New Delhi – 110003

Kind Attention: Shri. Pradeep Singh Kharola (IAS), Secretary, MoCA

Subject: Provision of compensation in lieu of discontinuation of 'Fuel Throughput Charges' at Dr. Babasaheb Ambedkar International Airport, Nagpur (Consultation Papers No. 31 of 2020-21 dated 22nd July, 2020)

Dear Sir,

We, InterGlobe Aviation Limited (**IndiGo**), write in response to the captioned Consultation Paper No. 31 of 2020-21 dated 22nd July, 2020 (**Consultation Paper**) issued by the Airports Economic Regulatory Authority of India (**AERA**) in the matter of provision of compensation in lieu of Fuel Throughput Charges (**FTC**) at Dr. Babasaheb Ambedkar International Airport, Nagpur (**Nagpur Airport**), for which stakeholder's comments are invited by AERA.

In terms of the Consultation Paper, pursuant to the discontinuation of FTC by the Ministry of Civil Aviation (**MoCA**) vide letter dated 8th January, 2020 (**MoCA Letter**), AERA letter dated 15th January, 2020 (**AERA Letter**) and response by Multi-modal International Cargo Hub and Airport at Nagpur (**MIHAN**) to the same vide letter dated 9th July, 2020, AERA has proposed to compensate the shortfall in FTC / ARR revenues to the Airport Operator (MIHAN) by increasing the Landing Charges by 20% as 'Revised Landing Charges' from 15.08.2020 to 31.03.2021.

At the outset, IndiGo wishes to state that AERA and/or MoCA should not implement increase of airport charges/tariff, of any nature whatsoever, due to the adverse financial impact on the airlines experienced in the wake of Corona virus (COVID – 19) outbreak. As you are aware, based on Government guidelines on calibrated opening of scheduled domestic flights w.e.f. 25th May, 2020, IndiGo has commenced their scheduled domestic flight operations. Such flight operations are subject to restrictions on capacity and fare, and adherence to safety protocols, as imposed by MoCA / Directorate General of Civil Aviation (**DGCA**). You will appreciate that until there is a complete opening of scheduled domestic and international flight operations, coupled with regaining confidence of passengers in air travel, airlines will continue to face weak financial position. **In the given circumstances, it is imperative that MoCA and/or AERA do not take any steps which precipitates any further adverse financial impact on the airlines.**

However, without prejudice to the above, in the event it is proposed to compensate MIHAN by way of increase in airport charges, the following may be taken into consideration:

I. Recalibration of tariff to be done during tariff determination under 2nd Control Period

The MoCA letter states that AERA and MoCA, as the case may be, should take into account the amount of FTC revenue stream and “*duly compensate the Airport Operator / AAI by suitably recalibrating other tariffs during their **determination of airport tariffs.***”

IndiGo submits that the above direction by MoCA and more particularly the words ‘*determination of airport tariffs*’, clearly indicates the intent and direction of MoCA is to adjust or amend tariff and to take into account the loss of FTC revenue for each airport, during the process of regular tariff determination at the beginning of the respective ‘Control Period’ of Nagpur airports. In the absence of any specific or contrary instructions and given the fact that Nagpur airport is in the final year of the relevant ‘Control Period’ (01.04.2016 to 31.03.2021), therefore any recalibration or adjustment due for the tariff determination should take place, only during the next Control Period in the suitable course of tariff determination by a competent authority, as applicable.

It may be pertinent to note that any recalibration or adjustment of tariff in the next Control Period, will assist the stakeholders to take the benefit of:

- (a) True ups, including on account of:
 - (i) Actual traffic – aircrafts and passenger movement in FY 2020-21;
 - (ii) Additional revenue streams of ‘Parking and Housing charges’ received by Nagpur Airport during the period of operational restrictions on scheduled domestic and international air transport – March 25, 2020 to May 25, 2020 (for domestic), when compared with such charges accruing in the ordinary course.

II. Compensation to be adjusted through User Development Fee (UDF)

As submitted previously in response to Consultation Papers on the issue of compensation due to abolishment of FTC for other airports, through the Federation of Indian Airlines (FIA), IndiGo reiterates that any compensation in lieu of abolishment of FTC should be made entirely through pass through charges i.e. UDF. Further, it may be pertinent to note that AERA has proposed increase of UDF while considering the compensation proposals of airports at Vishakhapatnam, Goa and Pune.

III. Stakeholder Consultation

IndiGo submits that AERA has not conducted any stakeholder meeting in relation to the Consultation Papers. It is pertinent to note that in terms of Section 13(4) of Airports Economic Regulatory Authority of India Act, 2008 (**AERA Act**) AERA is bound to hold due consultations with the stakeholders, while



discharging its functions under the AERA Act. The request for convening such meeting has already been made, through FIA, vide letter dated 29 January, 2020.

Needless to state, such stakeholder consultation meeting will provide an opportunity to the stakeholders to deliberate and submit their views/perspective, in a holistic manner.

IndiGo will be grateful for the timely intervention and assistance by AERA and MoCA, in the present matter.

The above submissions are without prejudice to the rights of IndiGo to provide its detailed comments, pursuant to stakeholder's consultation meeting and revision to Consultation Papers, if any.

Thanking you,

Yours sincerely,

Vikram Chona

Vice President – Corporate Affairs

InterGlobe Aviation Limited ("IndiGo")