

28 July 2021

Secretary

**Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex, Safdarjung Airport,
New Delhi – 110003**

Dear Sir,

Sub: Response to Consultation Paper No. 11/2021-22 dated 02.07.2021, in the matter of determination of Aeronautical Tariff for Rajiv Gandhi International Airport, Hyderabad for the Third Control Period (01.04.2021 - 31.03.2026).

We thank AERA for carrying out a detailed consultation in the matter of determination of Aeronautical Tariff for Rajiv Gandhi International Airport (HIAL), Hyderabad for the Third Control Period (01.04.2021 - 31.03.2026).

Please find below our submission in respect to above referred consultation paper;

1. We wish to submit to AERA that the prolonged COVID19 pandemic has imposed a period of great distress on airlines. In the current scenario, HIAL has proposed an exorbitant 96% increase in Landing Charges and 328% increase in Parking Charges, which are completely unacceptable and not in line with the support expected from an airport operator to stimulate a declining industry sector rather than depress it further. Airlines are already severely challenged, with no relief from any quarter, and any further increase in charges at this time will do irreparable damage.
2. In view of the current situation, unprecedented in the history of the airline industry, we would request AERA to consider maintaining status quo for landing, parking and other aeronautical charges for the next 2 years, and conduct a mid-term review once the situation normalises.



3. The airline fraternity and other airport user community have taken drastic measures to reduce their cost of operations and mounting losses by renegotiating various existing contracts, and some have even resorted to curtail employee salaries. Any exorbitant increase at this juncture, as requested by HIAL, will only worsen the current situation.
4. Corporate Social Responsibility (CSR) has been introduced in the Companies Act, 2013 as a concept whereby companies are obliged to spend part of their profit for the betterment of their less privileged communities and/or the preservation of the environment. In the consultation paper AERA has considered CSR expenses, which needs to be incurred by HIAL for third control period as operating expenditure. This is contrary to the spirit of CSR provision, as it is no longer a CSR activity from the profits of HIAL, but an imposition of an additional obligation of a funding contribution by airport users who already have their own CSR obligations. Airport users cannot be made responsible for a government obligation deductible from the profits of the airport operator, especially not when this same obligation is already imposed on the users themselves. We request AERA not to consider the cost of CSR incurred by HIAL and disallow the same for recovery from other airport users.
5. AERA has approved Rs.4820.05 Crores against Rs. 5596.23 Crores requested by HIAL towards capital expenditure for capacity expansion to 34MPPA. As the airport traffic has reduced significantly, and will take considerable time to reach the projected 34MPPA, it is requested to defer this capex to the extent possible to the next control period. Expansion of the terminal without the corresponding increase in the passenger numbers will only further increase the operating cost of HIAL.
6. AERA has considered 8.82% as cost of debt for the third control period. The said rate is based on the present interest rate for a rupee term loan and external commercial borrowing offered to HIAL. As there has been overall reduction in the interest rates and the trend is envisaged to continue into the near future, we request AERA to further reduce the interest rate for cost of debt. The reduction will provide a window of opportunity for HIAL to look at various options to reduce the interest cost further to benefit HIAL and all users, as the Fair Rate of Return is linked to cost of debt.



7. AERA has considered 4.6% annual increase against 7% requested by HIAL for various operating expenses. Sanction of 4.6% annual increase on various costs will not provide any incentive to HIAL to reduce the cost from its present base. AERA is requested to lower the annual increase further, so that HIAL can rework and reduce their operating cost.
8. Based on HIAL's submission, AERA has considered 16.5% and 29% increase in manpower expense for FY 2022 and FY 2023. The increase of personnel expenses appears excessive and does not appear to be line with the market increase in the aviation industry which has been negatively impacted. We would request AERA to kindly review the same.

Thanking you,

For **Blue Dart Aviation Limited**,



P. Parameshwaran
Chief Financial Officer