



Ref: AOC/DEL/AERA/2020/1014-(R)

30th July 2020

To

**The Chairperson
Airports Economic Regulatory Authority of India
New Delhi**

(Through e-mail to gita.sahu@aera.gov.in & director-ps@aera.gov.in on 31st July 2020)

Sub: Response to AERA Consultation paper (No. 15/2020-21 dated 9th June 2020) for tariff determination for 3rd Control Period at IGI DEL Airport.

Sir,

We thank AERA for initiating the consultation process for determining the Aeronautical tariff for the third control period (remaining 3.5 years till March 2024). AOC also like to thank AERA for considering an extension of the submission deadline for the responses from various stakeholders. Airline Operators Committee DEL is an association under the umbrella of IATA while deriving and working towards its objectives and responsibilities from IATA Airport Handling Manual. At DEL, AOC represents 95 percent of the IATA Carriers and almost 90 percent users at DEL Airport including passengers.

AOC DEL would take this opportunity to put forth our comments on the subject CP as follows.

1) Phase 3A Major development (AUCC Consultation)

AOC cannot emphasize any more than what has been already mandated in the AERA act itself on the importance and relevance of an effective and consultative discussion prior to any major CAPEX on airport infrastructure where the cost is to be recovered by the end users over a time period. We quote the below observation from the paragraph under Tariff Setting Principles (Clause 1.2.1 Point 9) as:

Quote

The JV Company will be required to consult and have reasonable regard to the views of relevant major airport users with respect to planned major airport development.

Unquote

AOC DEL wishes to put forth to AERA that there has been practically no AUCC 'Consultation' called for Phase 3A Major Development till date by DIAL. What happened once in 2017, was a slide show

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presentation of pre-decided plan and phasing of the major development work giving just a day's notice to the stake holders thus burying the very essence of the 'Proper Consultation' embedded as an obligation on the Airport Operator under AERA Act itself. Joint representations and communications from IATA and AOC DEL to DIAL for having a proper consultation process went unheard and never responded (*Please refer Annexure 1*).

Since almost 90% expense on Capex for phase 3A is an aeronautical expense which is being pushed vide DIAL's submissions to AERA for tariff determination for 3rd CP, the burden for recovery, as such, shall eventually fall upon the end users (Passengers, Airlines, Stake holders). This is where the importance of a proper consultation that was supposed to be undertaken by DIAL but which never happened thus far, as such, now is being considered as one of the prime inclusion in DIAL's submissions for determining the tariffs for the current control period. AOC feels it to be very unethical of DIAL to reflect and recover such an investment which may be devoid of the need to go for it or its scope in itself, which seems questionable too, now. The unprecedented turn of events globally in aviation sector as a whole from March 2020 due to n-COVID 19 impact and resultant state mandates, curtailing, thus bringing the airport and airline operations to a grinding halt now gives us enough reasons to move away from that parallax and do a detailed reanalysis of the whole expense as such. It has further put forth an urgent need for a thorough reassessment of the scale and dynamics of any such investment to enhance the ATMs or MPPA capacity of any airport including Delhi.

Thus AOC, proposes the following to be considered:

- i) Post COVID, urgent reassessment of capacity enhancement keeping in mind that the trends and estimates can only be reasonably predicted by the end of this current Financial Year must be undertaken.
- ii) Immediate cessation of all Package 1-4 works of Phase 3A Major Development.
- iii) Realignment of Package 5 prioritizing it over packages 1 to 4.
- iv) The delay of 10 months in commencement of Phase 3A work thus incurring additional expense of INR 502 Crores (Truing it up with 6.31% Inflationary impact) needs to be reconsidered and must not be recovered from end users.

2) Allocation of Asset and Revenue base (CUTE & CUSS)

DIAL (Airport operator at DEL) is the CUTE provider through a JV Ms Wipro Airport IT Services (P) Ltd (WAISL). CUTE/CUSS as such is a bundled provision of services for the use of Airline (Similar to BME or Underground Fuelling Hydrants). The provision of CUTE (Common User Terminal Equipment) comprises of a single unit of service but we see it to be bifurcated into two parts (Aeronautical and Non Aeronautical asset). It is to be noted here that CUTE counter without CUTE system is of no use and vice versa. DIAL however, invoices for these separately. One invoice for CUTE Counters and the

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other for CUTE usage. CUTE Counter charges are per flight basis while the CUTE usage is billed basis number of passengers flown except for the exempted ones which form less than 1%. **(Annexure 2)**

DIAL has considered CUTE Physical Counter usage Charge to be Aeronautical (First part) while the second part of the usage charge has been shown as Non Aeronautical revenue. This reduces the Revenue submitted by DIAL due to the cross subsidy of 70% while determining the Target revenue for prorated Aeronautical revenue (S Factor of 30%) from the revenue asset base.

We wish to quote TDSAT's directions with regards to decisions taken by AERA for 1st Control Period (Section 1.3.1 of AERA's CP) in this context.

Quote

Even when the airport operator engages in providing an Aeronautical Service through its servants or agents, the service must be deemed to be the one provided by the Airport Operator. The colour of revenue from Aeronautical Service cannot get changed to that of revenue from Non-Aeronautical Service, by an act or leasing out by the concessionaire.

Unquote

The independent study conducted by AERA (Done by M/s R Subramanian & Company of Chartered Accountants) disassociates the CUTE and CUSS application from CUTE counters as non Aeronautical assets. The study refers to OMDA of 2006, AERA Act of 2008 and DGCA AIC 7/2007 dated 28th September 2007 for forming the basis of arriving at that conclusion. It is to be noted by honourable authority that these two are inseparable. CUTE as such is an entire set up as a whole and cannot be broken down due to a misjudged interpretation as a result of a missing specific reference of CUTE & CUSS in any of the three references mentioned by the company which undertook the study.

AOC wishes to draw AERA's attention to TDSAT's Directions quoted below in this context (1.3.1 Point (ii) of CP)

Quote

Contractual rights can be voided only on the basis of explicit statutory provisions or implications from statutory provisions permitting no other option.

Unquote

AERA Act is a statutory provision and must override any earlier references derived from contractual or ambiguous inexplicitly referenced earlier orders. In any case, Ground handling activity is also associated with many other services inferred as Aeronautical like BME and 'In to Plane service' while in case of CUTE & CUSS it has been considered as non aeronautical. CUTE Counter revenue is miniscule compared to the revenue generated from the same counters for the services provided



and effectively subsidizing that revenue by 70 percent due to the 'S' factor for determining target revenue misappropriates the principle of common logic.

AOC, thus, wishes to submit the below:

- i) Any revenue generated from CUTE (Including CUTE Counter, CUSS and CUTE Check in systems where DIAL is the CUTE Manager at IGI) should be considered aeronautical in nature and 100 percent of this revenue to be accounted for in and as an aeronautical revenue.

3) Aeronautical taxes consultation:

AOC wishes to submit that it is in sync with AERA's proposal to arrive at the aeronautical taxation including the 'S' factor which can be trued up during the tariff determination exercise of the next control period.

We thank AERA for allowing us an opportunity to respond and put forth our point of view and submissions for it to take note of.

Sincerely,

For Airline Operators Committee DEL

Kashif Khan

**Chairman
Airline Operators Committee**



Enclosures:

- Annexure 1
- Annexure 2

Room No. 3.124, CIPLevel 3, Terminal 3, IGI Airport, New Delhi 110 037



Airline Operators Committee



Mr. Panicker
Chief Commercial Officer (Aero),
Delhi International Airport Ltd.,
20th December, 2017

Dear Mr. Panicker,

**IATA and AOC DEL comments in response to DIAL Meetings/Consultation Protocol – Phase 3A
Developments of Delhi Airport**

We are writing on behalf of IATA and the DEL AOC to feedback on information shared with the airline community regarding DIAL's Phase 3A investment plans for Delhi International Airport (DEL).

Ineffective DIAL–Users Consultation

We thank you for the details shared with the airline community regarding DIAL's Phase 3A investment plans, however 1 to 2 presentations a year updating the airline community on DIAL proposed capital plans does not constitute consultation with Users or meet the obligations mandated in AERA's Consultation Protocol.

It is simply impossible for airline Users to provide informed and prepared feedback when investment plans are unilaterally pre-determined by DIAL without giving ample time for airline User to share their inputs. Meaningful consultation requires details being shared at a project level from an early stage in the development process and subsequently at key stages as projects progress, so airline Users have the opportunity to provide inputs regarding functionality, and critically assess the costs-benefits analysis of investments they will end up funding and paying for through airport charges. The overall impact on airport charges, as well as the impact of individual projects is required so Users are able to understand and feedback on the overall levels of affordability and willing to fund investment. Ultimately projects should only proceed with the support and endorsement of the airline community. AERA's Consultation Protocol (with the 2011 AERA ACT) requires projects to be consulted upon in detail and summarized in individual "Project Investment Files", however this information has not being made available to Users.

Our numerous requests for sufficient notice (i.e. at least 4 weeks) in advance of meetings continues to be ignored and brings into doubt DIAL's sincerity to consult with the airline community and capture the views of its customers, that is a significant concern. Consultation regarding major capital investments requires a regular, structured dialogue with subject matter experts that may not be based at DEL, to supplement AOC representatives. It is therefore no surprise that the minutes of DIAL's updates/presentations (not consultation) meetings does not reflect many comments from the airline community, as until we are able to review project level details, costs and their impact on User charges and provide informed feedback, we are not able to reasonably consider the viability of Phase 3A investments despite the growth that continues at DIAL.

Until DIAL is willing to provide details as set-out in AERA's Consultation Protocol we are not in a position to comment or support DIAL's capital investment plans. We therefore request a DIAL follows the mandated protocols and meets with IATA and the AOC to agree a Governance structure to facilitate meaningful consultation and the buy-in of customers.

Comments on DIAL's "Major Development Plan" presentation - 27th-28th September 2017

We will take the opportunity to comment on slides information provide to the airline community that does not replace or supersede the need for meaningful consultation as described.

4th Runway

We remain unconvinced regarding the need for a 4th runway in the 2018-21 period based on the existing underutilization of the existing airfield. DIAL's information indicates the optimum/peak capacity of the existing 3 runway system is 75 movements per hour, yet there are numerous examples of airports with 2 runways, including dependent runways with up to 90 declared movements per hour. We accept there will be a natural limit to intersecting runways 09/27 and 10/28 given the orientation of 09/27, however we would reasonably expect 100 movements per hour, or at least the equivalent of an efficient 2 runway system. Examples as a basis for comparison include London Heathrow with 2 dependent & segregated runways with 90 movements per hour, Vienna with 2 intersecting runways and Stockholm airport with 84 movements per hour, that is planning for up to 99 movements with 3 runways. DEL may in fact find that a 2 runway system based on 2 parallel runways is a more efficient than the existing configuration. Despite being one of the very few triple runway options available airport in the world, diversions effected due to Air/Ground ATM congestions at certain peak hours is very normal occurrence impacting the financial/operational dynamics of an airline's commercial viability.

We understand DIAL has commissioned NATS to advise on DEL's airfield capacity, and we request a copy of the report to understand its conclusions and the rationale behind proposing the 4th runway in the 2018-21 period.

We also request a detailed review of the 4th runway's costs that have not been shared as required as per AERA's Consultation Protocol.

We will take the opportunity to remind DIAL that revised ICAO standards for reduced runway width are likely to change in the near future, and we therefore encourage DIAL to design its infrastructure and master plan to accommodate this option as it materializes, to take advantage of the resulting cost savings.

Terminals

Our ability to comment in detail is limited to the slides provided, and as a result we are not able to provide material comments until project level details are provided in accordance with AERA's Consultation Protocol (i.e. options, costs, benefits)

Terminal 3 (T3)

Existing terminal infrastructure should be efficiently utilized prior to constructing new infrastructure. We request a review of T3's utilization dynamics to gain confidence that this is indeed the case based a capacity and demand assessment for each of the major terminal elements through the departures and arrival journey to understand where any excess capacity may be.

We understand terminal transfers are a major constraint, and request a much more thorough review of capacity and demand for intra and inter-terminal transfers to understand where the bottlenecks lie and how these can be addressed, as well as implementing efficient passenger processes.

Terminal 1 (T1)

We thank DIAL for the information it has shared regarding the Terminal 1 investment plan and are pleased the IATA Levels of Service (LoS) "Optimum" is being used as a basis for terminal planning with a passenger focus. The benefits of using the IATA LoS are proven as a high level input does not replace the need for detailed modelling and simulation at a sub-system level to accommodate peak or busy hour traffic.

IATA's LoS focuses on functionality, however not the quality of finishes or specifications that has a major bearing on construction costs, and are additional elements to be consulted upon. We are concerned that investment in very high quality finishes may be unaffordable for Users eventually and therefore request a review of options and costs in these areas i.e. the cost of granite will be much higher than floor tiles. Building height and design also has a bearing on cost, and are elements we understand very little about.

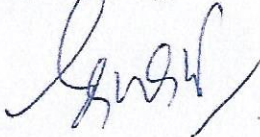
There are numerous other elements such as signage and wayfinding, the application of technology and impact on airline operating procedures and investment costs that should be discussed rather than assumptions made by DIAL.

Project construction phasing and airline occupancy

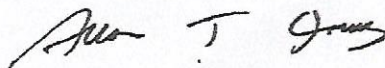
We appreciate the slides DIAL has provided as a guide for T1 construction phasing, and request that an airline's relocation plan is developed and consulted upon in parallel so we are able to review the impact on operations and provide feedback to minimize disruption, while also taking airline preferences into account, objectively. IATA previously suggested this, however received little feedback.

Despite continuing traffic growth at DIAL, investment to accommodate demand is not at any cost and must be justified, approved by and affordable for customers. We request a response to our queries and look forward to a further dialogue regarding the points raised this letter, in advance of DIAL committing to significant capital investments that Users fund.

Yours sincerely,



Chairman
Airline Operators Committee (AOC)



Head of Airport Infrastructure
International Air Transport Association (IATA)

IT Service Charges for AoC / Airlilnes				
Services	Price			
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Section 1 - Network Connection (Campus Network)				
Data Port Service Charges				
Onetime (Pre cabled zone)	5402	5645	5956	6194
Monthly Charges per port	1336	1336	1409	1466
VLAN Service Charges				
Monthly service charges if within 100 m and up to 25 users	640	669	706	734
Monthly service charges > 100m and up to 25 users	2561	2676	2823	2936
Monthly service charges for Inter-Terminal-VLAN	20135	21041	22198	23086
Firewall Service Charges				
One Time configuration charge	12803	13379	14115	14680
Co-location/ Data Centre Service Charges				
Monthly service charge per U	2561	2561	2702	2810
Uplink Service Charges (Point to point connectivity)				
Monthly service charge(per uplink)	19205	20069	21173	22020

IT Service Charges for AoC / Airlilnes

Services	Price			
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Section 2 - Communication				
Voice Port Service Charges - (One time activation charges per port for pre-cabled zone only)	5402	5645	5956	6194
Analog Telephony Service Charges				
Monthly service charges per Analog phone connection	320	334	353	367
Digital Telephony Service Charges				
Monthly service charges per Digital phone connection	640	669	706	734
IP Telephony Service Charges				
Monthly service charges per IP phone connection	1280	1338	1411	1468
Trunk Mobile Radio Systems (TMRS) Service Charges				
One time service charges for Handheld	42891	44821	47286	49178
One time service charges for Desktop Mounted	56758	59312	62574	65077
One time service charges for Vehicle Mounted	43895	45870	48393	50329
Monthly service charges for Handheld	2682	2600	2600	2800
Monthly service charges for Desktop Mounted	3641	3805	4014	4175
Monthly service charges for Vehicle Mounted	3641	3805	4014	4175

IT Service Charges for AoC / Airlilnes				
Services	Price FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Section 3 - Application Services				
Staff Pages Service Charges				
One Time activation charges	1280	1338	1411	1468
Monthly service charges	2561	2676	2823	2936
FIDS Logo Change Service Charges				
One Time activation charges	28090	29354	30969	32207
<i>*Images to be provided by Airlines in the specified format for Requested Changes</i> <i>*FIDS Logo Charges applicable beyond Free-Entitlement of 4 change requests per year (1 per quarter)</i>				
Section 4 - CUPPS Services				
Common Use Passenger Processing Services (CUTE) Service Charges				
International Carriers	69.86	73.00	77.00	80.00
Domestic Carriers	52.05	54.39	57.38	59.68
Common User Passenger Processing Terminal (CUPPS) Back office Service Charges				
Monthly service charges for Non-Comprehensive	9603	10035	10587	11011
Monthly service charges for Comprehensive	25607	26759	28231	29360
Baggage Reconciliation Scanners (BRS) Service Charges				
Monthly service charges for Handheld Scanners	5618	5871	6194	6441
Monthly service charges for Intelligent Workstation BRS	9603	10035	10587	11011
Section 5 - FIDS / Display Systems				
Flight Information Display System (FIDS) Service Charges				
Monthly service charges for FIDS (<i>Only Feed, No screen/HW provisioning</i>)	19973	20872	22020	22901
Web FIDS (HTTP services) Service Charges				
Onetime Service Charges	32009	33449	35289	36701
Monthly Service Charges (<i>Only Feed, No screen/HW provisioning</i>)	6402	6690	7058	7340