



SpiceJet Limited

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January 24, 2022

To,
The Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi- 110 003.

Kind Attention – Shri. Balwinder Singh Bhullar

Subject: Response to Consultation Paper No. 28/2021-22 dated January 14, 2021 on determination of tariff for Ground Handling Services in respect of M/s GSEC Bird Airport Services Private Limited at Mangalore International Airport, Mangalore, for the third control period (FY 2021-22 to FY 2025-26)

Dear Sir,

In response to the Consultation Paper No. 28/2021-22 issued by the Airports Economic Regulatory Authority of India ("AERA" or "Authority") in the matter of determination of tariff for Ground Handling Services in respect of M/s GSEC Bird Airport Services Private Limited ('GBASPL') at Mangalore International Airport, Mangalore ('AAI - Mangalore') for the Third Control Period (FY 2021-22 to FY 2025-26) ('Consultation Paper' or 'CP').

At the outset, we would like to express our sincere gratitude to AERA for inviting stakeholder comments on the Consultation Paper, and further acknowledging the impact of COVID-19 on the aviation sector.

Sir, you will appreciate that airlines which are the 'catalyst' for the global economy including the aviation sector, have been hit the hardest by COVID-19. Since February/March 2020, due to restrictions on the scheduled international and domestic air travel issued by the Ministry of Civil Aviation and Directorate General of Civil Aviation and other restrictions on inter/intra state travel (collectively 'Government Restrictions'), airlines' cash flows have been severely impacted.

While the airline operations showed an upward trend from December 2020, however the brutal second wave of COVID-19 in March 2021 and subsequent emerging variants of COVID-19, have again impacted the operations to a great extent and have prolonged the process of financial recovery.

As per industry estimates issued by IATA and CAPA, it will take almost two (2)- three (3) years for airline operations to reach pre COVID-19 levels, in terms of number of flights and passengers. In the current situation, airlines in India are staring at a loss of approximately USD 8.0 billion for the FY 2020-21 and 2021-22 as per CAPA. With limited financial support from the Government, Airlines are constrained to implement severe cost control measures to sustain their operations.

You will further appreciate that, while the low passenger demand for air travel coupled with certain Government Restrictions on fare, prevents airlines from generating adequate passenger revenue, airlines continue to incur high operational cost, including on account of high airport charges and taxes.

As desired by AERA, please find below our recommendations/ comments on the Consultation Paper:

1. Capital Expenditure: - (Refer 4.2 and Table 4 of the CP)

As projected by IATA and CAPA it will take around two (2) -three (3) years for the flight operations to reach to its pre COVID-19 peak levels. Although it is noted that GBASPL is a new entity providing Ground Handling Services, in the current situation in order to support the airlines to continue and sustain its operations, all non-essential CAPEX proposed by GBASPL should be put on hold/deferred to the Fourth Control Period, unless deemed critical from a safety or security compliance perspective.

Without prejudice to the above, in case GBASPL wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use. Further, in the event the Authority allows the proposed CAPEX, the capital expenditure proposed to be made in Tariff Year 1 and 2 (i.e. 2021-22 and 2022-23) may be considered to be spread more evenly over a period of five years.

2. Operating Expenditure: - (Refer 5.3, 5.9 and Table 5 of the CP)

It may be noted that cost incurred by the service provider impacts the airlines, as almost all such cost is passed through or borne by the airlines. Further, in view of industry reports from IATA and CAPA, which foresee a minimum period of two (2)-three (3) years for air traffic and flight operations to reach pre COVID-19 levels, we submit that Authority may kindly freeze any increase in operational expenditure after the first year, and there should not be any increase in manpower

In addition, we submit that the R&M expenditure should be almost Zero in the first two to three years, during which the warranty period would be valid.

Further, royalty or concession fee is in the nature of market access fee, charged (by any name or description) by the service provider under various headings without any underlying services. These charges are mostly passed on to the airlines by the service provider. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc.

In view of the above, we urge Authority to abolish such royalty/concession fee which may be included in any of the cost items.

3. Tariff Proposal: - (Refer 6.1, 6.2 & 6.3 and Table 6, 7 & 8 of the CP)

The tariff and rate of increase in tariff are very high, especially in the backdrop of COVID-19. It is in the interest of all the stakeholders not to increase the tariffs in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of aviation sector. In our view, all hikes after Tariff Year 1 (2021-22) should be granted.

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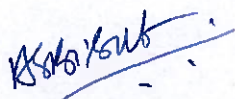
We hope that your good self will positively consider such recommendations/ comments as it will help in achieving the affordability and sustainability of the airline, which is also outlined as a key objective in the National Civil Aviation Policy, 2016. Needless to state that sustainability of airlines will be key for continuity of service providers in aviation sector.

We look forward to your continued support in these challenging times.

Thanking you in advance,

Yours Truly,

For SpiceJet Limited



Suryavir Singh Bisht

Sr. General Manager – Regulatory Affairs

Copy to:

Director (P&S Tariff), Airports Economic Regulatory Authority of India (AERA)