



Federation of Indian Airlines
E-166, Upper Ground Floor,
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Website: www.fiaindia.in

O/C

12 March 2020

To,
The Hon'ble Chairperson,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi - 110003
(Kind Attention: *Shri. B.S. Bhullar, IAS*)

&

To,
The Hon'ble Secretary,
Ministry of Civil Aviation,
Rajiv Gandhi Bhawan, Safdarjung Airport,
Aurobindo Marg, New Delhi - 110003
(Kind Attention: *Shri. Pradeep Singh Kharola, IAS*)

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
सफदरजंग एयरपोर्ट, नई दिल्ली-110003

प्राप्त

डाकूरी नं० 15394
तारीख 12/03/2020



Sub: AERA Consultation Paper No. 21/2019 – 20 and Consultation Paper No. 22/2019 – 20, dated 5th March, 2020 for Bengaluru and Cochin airport; provision of compensation in lieu of discontinuation of 'Fuel Throughput Charges'

Dear Sir's,

We, the Federation of Indian Airlines (FIA), write in reference to the Consultation Paper No. 21/2019 – 20 and Consultation Paper No. 22/2019 – 20, dated 5th March, 2020 in the matter of provision of compensation in lieu of Fuel Throughput Charges (FTC) at Kempegowda International Airport, Bengaluru (Bengaluru Airport/BIAL) and Cochin International Airport, Cochin (Cochin Airport/CIAL), respectively (referred to as 'Consultation Paper(s)'), issued by the Airports Economic Regulatory Authority of India (AERA).

In terms of the Consultation Paper(s), pursuant to the discontinuation of FTC by Ministry of Civil Aviation (MoCA) vide letter 8 January, 2020, and request made by the airport operators (i.e. BIAL and CIAL), AERA has, inter alia, proposed the following increase in the 'Landing Charges' i.e. (a) an increase by 30.87% for FY 2020-21 to recover the shortfall of Rs. 46.77 crores, at Cochin Airport; and (b) an increase by 66% for FY 2020-21 to recover the shortfall of Rs.136.82 crores, at Bengaluru Airport. The revision to such charges (as mentioned in the Consultation Papers) are proposed to be applicable from 1st April, 2020.

At the outset, FIA wishes to state that AERA and 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 (refer below).



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As you are aware, the outbreak of COVID – 19, experienced initially in the South East Asian region, is now spreading rapidly across the globe. Various governments, including those of India, China, United States of America, Middle east regions *etc.* have issued travel advisories and visa restrictions which has impacted the global and domestic air traffic.

Last week, countries viz. Qatar and Kuwait have stopped flights from India to their respective countries and consequently Indian carriers had to cancel its flights and ticketing charges had to be refunded to passengers at Airlines costs. Even in the case of domestic travel, the passengers, owing to anticipated spread of COVID – 19, have drastically cancelled/alterd their domestic travel plans. Needless to state, such actions have adversely impacted the airline industry which has experienced significant decrease in the forward/ advance bookings, increase in cancellations and related refunds. Despite such operational and financial impediments, resulting in an increased financial burden on airlines, airlines are trying to operate to the greatest extent possible.

You are already aware that the Indian aviation sector, being extremely price sensitive market is plagued with high cost structure - Aviation Turbine Fuel (ATF), airport charges and taxes.

Further, the weakening of the Indian Rupee has caused significant escalation of such costs. All such factors have cumulatively resulted in an adverse impact on the financial position of the airline industry. It is well known that in the recent past, most airlines in India either suffered losses, broke even or in some cases experienced a complete shutdown.

In the given circumstances, it is imperative that MoCA and AERA do not take any steps which precipitates any further adverse financial impact on the airline industry.

However, without prejudice to above, in an event MoCA and AERA are desirous to implement any increase in airport charges/tariff in terms of the Consultation Papers, FIA humbly submits that:

- (a) Firstly, the Consultation Papers may kindly be placed in abeyance till the aviation industry experiences normalcy (including removal of any global travel advisories and/or restrictions); and
- (b) Thereafter, as and when the consultation exercise on the Consultation Paper(s) are resumed, the following needs to be ensured:

(i) Analysis on identification of tariff component for effecting amendments

FIA submits that in terms of the Consultation Paper(s), the concerned airport operators i.e. BIAL and CIAL have proposed an increase in 'Landing Charges' to give effect to the compensation in lieu of discontinuation of FTC. However, the Consultation Paper(s) fails to provide any cogent reasons for the airport operators to particularly amend only the 'Landing Charges' instead of any other airport charge(s) for e.g. Parking or Housing Charges *etc.* applicable at an airport.



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The proposal to amend the 'Landing Charges' is not accompanied with any cost benefit or a comparative analysis to indicate any consideration given by the concerned airport operators to other tariff components for effecting any tariff increase. Further, AERA has merely accepted airport operator's proposal to increase the 'Landing Charges' and has failed to scrutinize or comment on an alternative adjustment/revision in any other airport tariff component.

Accordingly, the Consultation Paper ought to provide/discuss the following:

- (a) Whether airport operators have considered other **aeronautical tariff components**, instead of 'Landing Charges', for the purposes of seeking compensation? If yes, it is requested to provide reasons for not proposing the same for tariff revision, along with any cost benefit/comparative analysis on such aeronautical tariff components; or alternatively
- (b) Whether airport operators have considered compensation by way of revision of **non- aeronautical** sources, accruing at the airport? And
- (c) AERA's scrutiny on revision of other tariff components (i.e. except Landing Charges) including the alternate possibility of compensation through non – aeronautical sources.

Without prejudice to the above, FIA submits that revision of tariff, if any, should be made only in the pass-through elements of the airport charges/tariff for e.g. User Development Fee (UDF), Passenger Service Fee - Facilitation (PSF) *etc.*, which will avoid any adverse impact on airline industry.

(ii) Conducting a Stakeholder's Consultation Meeting

FIA submits that AERA invited written submissions from stakeholders on the Consultation Paper(s), without there being any notice to convene a stakeholder's consultation meeting prior to such submission.

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 by FIA in its letter dated 29 January, 2020 (enclosed).

Further, with regard to Para 7.3 of the Consultation Paper for Bengaluru Airport, FIA submits that there has been no stakeholder consultation (including Working Group discussion) on the issue of tariff adjustment/recalibration pursuant to the abolishment of FTC by MoCA.



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FIA submits that it is essential that a suitable stakeholder's consultation meeting is convened by AERA, preferably for identifying a common tariff component/head, which may be amended for airports seeking any tariff adjustment pursuant to abolishment/discontinuation of FTC.

Needless to state, such meeting will provide an opportunity to the stakeholders to deliberate and submit their views/perspective in the present matter, including on identification of tariff component as mentioned in para (b) (i) above.

FIA 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 FIA to provide its detailed comments, pursuant to stakeholder's consultation meeting and revision to Consultation Paper(s), as mentioned above.

Thanking you,

Yours sincerely,

For and on behalf of **Federation of Indian Airlines**


Ujjwal Dey
Associate Director