



07 March 2017

WITHOUT PREJUDICE

Secretary
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport
New Delhi -110003
Email: puja.jindal@nic.in

Dear Smt. Jindal,

IATA'S RESPONSE TO CONSULTATION PAPER NO. 3/2016-17 DETERMINATION OF AERONAUTICAL TRARRIFFS OF CHANDIGARH INTERNATIONAL AIRPORT LIMITED FOR THE FIRST CONTROL PERIOD (01.04.2016 – 31.03.2021)

As the global trade association representing the world's leading airlines, the International Air Transport Association (IATA) is pleased to provide a submission on AERA's consultation paper mentioned above. IATA's membership includes some 265 passenger and cargo airlines comprising 83% of total air traffic and IATA's mission is to represent, lead and serves the airline industry. This submission is based on the views expressed by IATA at the stakeholder consultation meeting held on 2 March 2017 and additional comments following the meeting:

- It is a disappointment that AERA has proceeded to adopt the hybrid till approach. Although the impact in the first four years is marginal as the aero revenues are lower than allowed revenue, in the fifth year they are almost in line, which means that the hybrid till approach is already having an effect. The implications will be even more significant once charges are calculated in the next control period.
- Due to the new terminal, the cost base changes massively in 2016-17, and therefore difficult to assess. There is a strong need to true up the cost in this case.
- AERA has indicated its intention to true up a lot of the components. Since the airport is pricing below its allowed revenue, how would the true ups work?
- The assumption of a 98% equity funded airport is unsubstantiated. This increases unnecessarily the WACC. AERA had in the past proposed in its normative approach to use a target debt/equity ratio of 60:40. Why is this not adopted but instead using the actual capital structure approach?
- The proposed differential charges between international & domestic (and within domestic, split into distance) is discriminatory in nature and not in alignment with ICAO's Policy. This is not acceptable unless there is a clear cost justification that explains why the charges should be different.
- Regarding Quality of Service – Overall benchmark for service quality requirements utilizing the ACI's ASQ which is essentially a passenger experience survey is insufficient. There is a need to better capture the service quality feedback/rating from aircraft operators using the airport services/facilities.

International Air Transport Association

#702-704, Tower 4A, DLF Corporate Park,
Phase-III, MG Road, Gurgaon - 122002,
Haryana, India
Tel: +91 124 4977 100
Fax: +91 124 4977 120



- AERA must ensure alignment with ICAO's policy to ensure airport charges are set based on the cost of delivering the services rather than other factors which might not be applicable/relevant when assessing the appropriateness of airport charges.
- AERA to apply greater scrutiny on the proposed OPEX by the airport operators including cost efficiency targets while delivering optimal level of services to Users.
- Commend and support AERA in removing land assets from the RAB accordingly.
- Commend AERA in applying a rational approach in reducing the proposed cost based requested by the airport.

We request that our views expressed above be taken into consideration by your respected agency leading to an objective and rational decision.

Yours sincerely,

Amitabh Khosla
Country Director – India
khoslaa@iata.org

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Haryana, India

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Fax: +91 124 4977 120