

Dated: November 26, 2015

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The Secretary

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

Sub: Consultation Paper No. 09/2015-16 dated 04.01.2015 regarding determination of Development Fee In respect of the metro connectivity project for Chhatrapati Shivaji International Airport, Mumbai

Respected Sir,

We submit our comments in respect to the proposal of Chhatrapati Shivaji International Airport, Mumbai for levy of development fees in lieu of the capital contribution towards development of Metro Rail connectivity.

Metro Rail services are essential for better connectivity to the airports. Such infrastructure developments are essential for improving accessibility and lowering cost of access to airport especially for the middle and lower middle class segment of airport users, thus leading to a more robust aviation sector.

Typically cost of provision of such infrastructure should be borne by the State Government. However, in case the airports are requested to fund part of the cost of development of Metro connectivity, the same should be recovered through development fee levied on the passengers. The DF is the most efficient way of financing airport infrastructure because of the following:

1. Amount collected towards DF goes directly to permanently reduce RAB. There is no return being allowed on these assets to airport operator nor is depreciation forming part of building block. As such it reduces the charges to passengers in the long run.
2. In case DF levy is not there, the gap would need to be funded from a mix of debt/equity which would lead to re-adjusting RAB upwards and the Authority will need to provide a WACC return on the enhanced RAB plus allow for depreciation. This would result in higher tariffs by way of increased aero charges which could be landing, parking or UDF.
3. ADF is a levy for short period whereas if this amount is recovered through tariff, the levy is for the entire life of the asset. DF levy for same amount of capital spend may be chargeable for 3-4 years whereas if collected by way of tariff it may be charged for 20-25 years based on life of asset.

DIAL supports the proposal for recovery of contribution towards Metro Rail development along with interest on securitized debt through DF levy.

Yours sincerely,



Sidharath Kapur
President (Finance & Business Development)

Secretary - not in position -

OSD-II

*Chhatrapati Shivaji
26/11/15*