



Federation of Indian Airlines

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26th November 2015

To,
The Chairman,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi 110 003.

Subject: FIA submission on Mumbai Metro Line 3 – Determination of Development Fee in respect of Metro Connectivity Project for CSIA, Mumbai.

Dear Sir,

This with reference to the stakeholder consultation meeting in the captioned subject held on 20th November 2015 (Friday) eliciting the views of stakeholders in person in which FIA and its members (GoAir & Jet Airways) had orally objected in strong terms about the proposed imposition of Development Fee upon all passengers embarking at CSIA, Mumbai.

At the outset, we have to state that the Mumbai Metro Line3 is a Public infrastructure project and the Metro stations at CSIA are always a part of a metro rail project. There can be no Metrorail without a Metro Station. Moreover, this is not a case for airport improvements and is not an airport infrastructure project. Therefore, AERA has no jurisdiction in this case. It is not a project tied to CSIA and it is not an exclusive project for the Airport.

We may suggest that the best means of funding the Metrorail and metro station in the airport is to have Metrorail consumers (and not airport passengers) pay the Metrorail authority and the airports directly. This achieves this objective, and it is directly tied to infrastructure improvements at the Airport. In fact, the Airlines should not and are in no way connected with the metro station and therefore cannot be asked to collect any fee from the airline passenger.

Development Fee (also called Passenger Facility Charge) is an optional fee and it cannot be used or levied against airline passenger as the metro passenger and airline passenger are not always the same. In addition, such development fee cannot be used for revenue-producing public infrastructure projects, such as a Metrorail. It is the metro passenger who avails the Metrorail service should directly fund the Metrorail and the Metro Station they are using and not the airline passenger who is using the airport but not the metro station.

Public policy on airport spending should be more in line with the benefit principle. According to the benefit principle, the people who use a public service should generally be the ones to contribute to that service. In the broadest sense, fulfil the benefit principle (people who use airports pay for the airports), and people who use the Metrorail pay for the metro station. This approach allows public infrastructure projects to be approved or cancelled on their own merits, by the people who best understand the costs and benefits. Hence, MIAL should not spend on the Metro Station as it is part of revenue producing infrastructure project of MMRC and even for the sake of argument if MIAL chose to bear the cost of the funding gap of towards the Metro Station at CSIA, it cannot pass on the cost in the form of development fee to the airline passenger or person who is not a metro station user.

The assumptions and historical data for passenger capacity are at variance with the self-declared capacity constraints given by MIAL and therefore it fails to make informed cost-benefit analyses. The capacity of the CSIA is much below the assumptions and projections given for determination of the Development fee and therefore is flawed.

Instead of asking AERA to decide whether to charge the fee at all, after assessing the needs and demands of the local travelling public and the communities, our central argument is that MMRC (and not MIAL) at CSIA provide Metrorail services like other businesses, and the most efficient, market-based means of raising funds is to allow them to charge Metrorail consumers an amount commensurate with the value needed to complete a project of metro station at CSIA. In other words, let MMRC finance their improvements just like any other productive venture would. These ideas are neither revolutionary nor unique.

The current proposal to ask MIAL to fund for Metro station who in turn seek to impose DF on hapless airline passenger instead of MMRC asking the Metrorail passenger to fund the cost, just because there is a funding gap is not only arbitrary, it also not connected to reality in any meaningful way. This is unjustified and is inequitable, unreasonable, and unfair and violates all canons of principles of law and it is amazing that such a fee is sought to be imposed even before the project is completed.

However, please do note that if any such proposal to impose financial burden is initiated against airline passengers, we shall without prejudice to our rights available under the law, shall also be constrained to defend the same before appropriate forum in law.

Thanking you,

Yours Sincerely,

For and on behalf of Federation of Indian Airlines,



Ujjwal Dey
Associate Director