



30 June 2014

WITHOUT PREJUDICE

Shri Alok Shekhar  
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Airports Economic Regulatory Authority of India  
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Dear Shri Shekhar,

**CONSULTATION PAPER No. 03/2014-15**

IATA welcomes the opportunity to provide its comments to Consultation Paper No. 03/2014-15: 'In the matter of Determination of Aeronautical Tariffs in respect of Cochin International Airport, Cochin for the first Control Period (01.04.2011 – 31.03.2016)'.

IATA fully agrees with Cochin International Airport (CIAL) on its core philosophy of providing a cost efficient airport. By keeping a strict control on capital and operational expenditures without compromising on service levels and actively developing non-aeronautical revenue to subsidize aeronautical tariffs, CIAL would be able keep aviation sustainable over the long term and achieve a reasonable return on investments for its shareholders in the process. In this regard, CIAL is an exemplary model for the other privatized airports in India.

As long as CIAL maintains this philosophy and airport charges are not increased or are brought down over time, the need for strong-handed regulation would be less compelling. However, the Authority should be in a position to introduce strong-handed price-cap regulation in future control periods should there be an adverse shift in the philosophy of CIAL or if there were to be a significant incurrence of capital expenditure, both resulting in higher airport charges.

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One area that CIAL can make further refinement to is its current approach of developing concession revenues from airport services that have a direct impact on air transportation namely cargo, ground handling, fuel services and CUTE. While the airport had considered these to be non-aeronautical activities, the AERA Act has quite correctly classified these as aeronautical activities given its impact on aviation. Airlines' operational costs would rise if these concession fees continue to escalate. IATA would ask CIAL to consider not increasing the rate of concession payable for these services but instead look into decreasing these rates over time. CIAL may also want to confine its efforts to developing non-aeronautical revenues in areas that do not impact the cost of air transportation such as retailing and advertising.

In conclusion, for the current control period ending 31 March 2016, IATA supports AERA's tentative decision outlined in Proposal No.1 on page 31 of the Consultation Paper.

Thank you.

Yours sincerely,

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