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भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

No.AAI/CHQ/REV/AERA/09 / 5

Dated: 21.4.2010

Shri A.B.Saxena,
Sr. Manager,
Airports Economic Regulatory Authority of India,
Room No.1
New Administrative Block,
Safdarjung Airport,
New Delhi- 110 003.

**Subject: Proposal of AAI to levy User Development Fee at Trivandrum International Airport – Consultation Paper No.05/2009-10
Dated 26.03.2010.**

Kindly refer to your letter No.F.No.AERA/20010/AAI-UDF/2009-10/941 dated 20th April, 2010 on the above subject. The comments of AAI on the observations of IATA are given below:

i) **Spreading the UDF over the useful life of the asset.**

The User Development Fee is to recover the short fall within a reasonable period. Further, there is also a review mechanism. Part of the funding of the Project is being done through borrowing which has to be repaid as soon as possible to reduce the interest liability. Hence, the levy for a period of 10 years is reasonable.

ii) **Realistic traffic projections that do not err on the low side.**

The Traffic Projections adopted are as per study conducted by the Corporate Planning Department of AAI which was done employing Statistical tools and econometric modeling. It is to be considered very realistic.

iii) **Use of Single till**

AAI has worked out the proposal by adopting hybrid till i.e. taking into account 30% of NTR for the calculations. However, AERA has proposed adoption of single till. In this regard, it is reiterated that AAI is maintaining a larger number of airports which are loss making and not self sustaining. It is requested that the hybrid till

as proposed by AAI may be considered so that it helps not only in maintaining the large number of loss making airports but also have some funds for future development in this airport.

iv) **Uniform UDF**

The levy of UDF is to take into account the local economic conditions, sentiments and the paying capacity of the public. Accordingly, levy of UDF on International passengers may be implemented.

The comments made by Voluntary Organization In Interest Consumer Education (VOICE) is too general and they are against any form of levy. Their observation does not take into account the level of investment required and the economy of investment decision.

Yours faithfully,



(M.Ravi Varma)
General Manager (F&A)



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भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

967/Secy/10
20/4/10

No.AAI/CHQ/REV/AERA/09

Dated: 20.4.2010

To

The Secretary,
Airports Economic Regulatory Authority of India,
Room No. 58, B Block,
Rajiv Gandhi Bhawan,
New Delhi- 110 003.

13/4/10

OSD-II

Shri Sarma

Kind Attn:Shri C.V.Deepak,OSD-II

Subject: Proposal of AAI to levy User Development Fee at Trivandrum International Airport – Consultation Paper No. 05/2009-10 dated 26.03.2010.

Sir,

Kindly refer to your letter No.AERA/20010/AAI-UDF/2009-10 dated 13th April, 2010 on the above subject enclosing the comments of:

- I) Federation of Indian Airlines
- II) NACIL
- III) Federation of Indian Export Organization

may be referred to. In this regard, the comments of AAI with reference to the comments of Air India are given below:

1) **Return**

It is clarified that for the Target Revenue the return on existing assets have also been taken.

2) **Regulatory Asset Base (RAB)**

The proposal has been worked out on going concern basis taking Airport as a whole. This has already been accepted by the Ministry of Civil Aviation in the case of Jaipur Airport.

3) **Traffic Projections**

The Traffic Projections adopted are as per study conducted by the Corporate Planning Department of AAI which was done employing Statistical tools and econometric modeling.

4) **Aeronautical and Non-aeronautical revenues**

The proposal has already disclosed the facts regarding RNFC and TNLC income have not been considered in the calculations as the same forms part of a different nationwide service (Air Navigation Service), the charges for which would be regulated separated by AERA) It is also been disclosed that income from City Side Development has not been considered, since, the proposal is at a very preliminary stage and exact time frame for the same is not known. At Trivandrum Airport there is no Extension of Watch Hours, since it is a 24 hours airport. The counter charges have been included in non-traffic revenues given in the proposal.

5) **Repairs and Maintenance**

It has been brought out in the assumptions that though the area has increased by almost 300% the increased in the R&M expenditure has been taken only of 100% in the year of commissioning which is very reasonable.

6) **Depreciation**

The rates adopted by AAI in its books is only straight line basis. The Weighted Average Rate of the depreciation on assets was taken at 10% as indicated in the proposal.

7) **User Development Fee**

The User Development Fee is to recover the short fall within a reasonable period. Further, there is also a review mechanism Part of the funding of the Project is being done through a borrowing which has to be repaid as soon as possible to reduce the interest liability. Hence, the levy for a period of 10 years is reasonable.

8) **Collection charges on User Development Fee**

The present Collection charges of Rs.5/- per passenger is considered adequate since, the airlines are not going to invest in any additional man power and installation. Further, they also get to utilize the amount collected till payment is made. (within the credit period) This amount has also been approved by the Govt. in Airports where already UDF is being levied.

9) **Charges for Low Cost Carriers:**

There is no separate infrastructure for low cost carrier and hence, there are no differential charges for them.

10) Due to non availability of land for construction of Integrated Terminal building at Trivandrum Airport a separate International Terminal Building has been constructed.

11) **Diversion of Traffic**

It is only a speculation that there could be diversion of traffic because of imposition of the UDF. No such trend has been noticed in any of the Airports where UDF has been introduced.

12) **Staff Costs**

AAI is a service oriented organization whose main input is Manpower.Outsourcing is minimal.

With reference to Comments of Federation of Indian Airlines (FIA), the following are submitted.

- i) The security expenses as well as security components of USF have been not included in the calculation for UDF.
- ii) The finances of AAI has also under pressure because of slow down as well as investment in various projects for better passenger facilitation.

The comments of Island Aviation Services Ltd., are general in nature. They expect that AAI should not levy UDF being a PSU. In this regard, it is brought out that AAI had to resort to borrowings during 2009-10

because of economic slow down. At the same time it has to create infrastructure and have reasonable returns. Hence, to get a reasonable return on the investments, the levy of UDF is a must.

Yours faithfully,



(M. Ravi Varma)
General Manager (F&A)