



Airline Operators Committee

C/o GULF AIR, ROOM NO. 2, LEVEL 5, Indira Gandhi International Airport, Terminal 3, New Delhi 110 037

Ref: AOC/DEL/AERA/2012/100002

24 January, 2012

To,

Chairman
Airport Economic Regulatory Authority
AERA building, administrative complex,
Safdarjung Airport, New Delhi - 110003



42/CH(AERA)
30/1/2012

Dear Sir,

Sub. **Preliminary objections on consultation paper 32 / 2011-2012 of Airport Economic Regulatory Authority of India dated 3rd January, 2012**

After going through the above consultation paper no. 32/2011-12 of Airport Economic Authority of India (hereinafter referred to AERA), following are the **preliminary objections** of AOC in this regard to be taken up between AERA and DIAL simultaneously against the proposed increase. **The preliminary objections raised by AOC, Airline Operators Committee at IGI Airport, New Delhi (hereinafter referred to as AOC) is briefly stated as under:-**

1. As per Para No. 467 (VI), it states that there is a deposit of Rs.350 crores for Metro Rail by DIAL to DMRC and classified as Aeronautical asset. It further states that this deposit was made by DIAL in terms of explicit decision of GOI i.e. the then regulatory with respect to classification of the asset as Aeronautical asset. Hence, this is proposed by DIAL to include cost of Rs.350 crores paid by DIAL to DMRC towards aeronautical asset for the purposes of tariff determination.

To this AOC objections, that since it is deposit made by DIAL to DMRC for Metro Rail of Rs.350 crores, it should not be considered as computed but only as a deposit of Metro

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Rail and should not form part of capital cost towards aeronautical asset and merely in the nature of deposit which should be refundable to DIAL at any future of time.

2. VRS Statement

DIAL have certified that a sum of Rs151.10 crores has been paid to AAI towards VRS against the total liability of Rs. 288.82 crores by AAI. Considering that the amount has not been paid one time basis. It is proposed to expense out actual paid or payable of Rs.199.35 crores during the control period respect of amortization the entire amount in AAI.

AOC requests for reconciliation between the audited figure of Rs.288.80 crores and the paid / payable figure of DIAL of Rs.199.35 crores. Thus, accounting for a difference of Rs.88.47 crores in the VRS payment to be considered as part of RAB for tariff determination.

3. Capex

So far as the Capex of Rs.230 crores for Financial Year 2011-12 to Financial Year 2013 -14 are to be considered, AOC has an agreement with AERA that in absence of justification, the Capex should not be considered as part of RAB for tariff determination. Further, on zero maintenance Capex in any year, AOC is also of the view that it does not stand to logic and is not realistic to maintain zero maintenance in any year. AOC reserves the right to contest the claim if any, made by DIAL in this regard.

4. RAB for return (IX of 467 Page 172)

AERA has accepted the RAB methodology for calculation for the purposes of determination of tariff as proposed by DIAL. The basis taken is by DIAL and accepted by AERA has average of Opening and Closing RAB return is calculation of average RAB which according to AERA is increased in accordance with the guidelines of other Airports.

AOC raises strong objection on such computation basis the **average RAB basis since** the same should be done on **actual** and not on **an estimated or average basis** as is also the basis specified to Airport that an actual basis for computation of tariff and would not be on the average basis. **To give typical example, say if the opening balance is Rs.100 crores and closing balance of which amounts of the investment is Rs.5000, then as per the proposed calculation, average would be Rs.2550 crores whereas if taken on actual basis, average would be much much lower then this and would bring down tariff drastically.**

AOC further submits that basis accepted by the other Airports is not binding on AERA and it should be calculated on actual figures for the purposes of determination of tariff and not methodological figures.

5. Hypothetical Regulatory Asset base (X of 467 Page 172)

It is recommended by the Authority ie. AERA that the purpose of tariff determination, hypothetical RAB be computed as Rs.467 crores using values of following components for the Financial Year 2008-09.

a) Revenues on prevailing tariffs in the year

AOC is of the opinion that revenue should include Pax, Cargo, Technical handling and Ground handling and all other related revenues, pertaining to AERA basis since AOC is not in possession of the balance sheet of DIAL. Specific revenue cannot be identified and it is requested that the figures be provided by DIAL to AOC for the purpose of determination of revenue for computation of hypothetical regulatory asset base.

- b)** It is proposed by AERA that Corporate Tax pertains to AERO service at Airport be included for the purposes of value for tariff determination. **AOC raises strong objection on corporate tax pertaining to AERO service at Airport be included in the cost for the purpose of determination of tariff.** The reason for this is pure and simple that corporate tax liability is below the line adjustment and cannot be passed on as cost to the Airlines for the purposes of determination of tariff. It is the liability to be borne by DIAL and not shared by Airlines as part of tariff.

6. Finance Allowance (XI of Page 173 & 164 of 467)

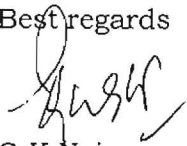
AOC is of the view that the cost of equity should be taken below 14% and detailed reasoning and comments on the main issues should be forwarded by AOC to AERA to take final view in this matter.

AOC also raises objection to inclusion of VRS paid to AAI employees in AERO charges as that does not form part of aeronautical services rendered and is purely a matter of contract/understanding between AAI and DIAL when contract was awarded to DIAL.

Further the areas and costs falling under aeronautical and non aeronautical expenses have not been explicitly clarified.

Without prejudice to above, we would like to place on record the fact that there exists a need to go through various studies and statistics compiled and relied upon by DIAL to justify the increase in charges to such astronomical figures. We would request authority to advise DIAL to provide copies of such studies, analysis etc relied upon . Since this is a multi facet area which would require further and detailed study, we would request the extension to time limit by at least one month, if not more, for filing of final comments on the subject by AOC on behalf of airlines.

Best regards



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