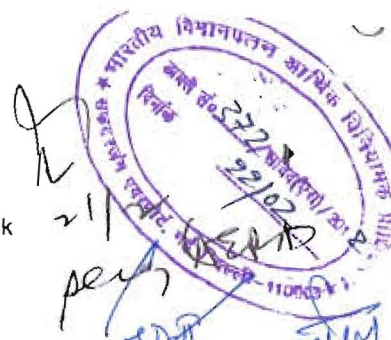


Subject Consultation Paper 32/2011/12 - our views
From dsreddy apai <dsreddy@air-passenger.com>
Date Wednesday, February 15, 2012 5:05 pm
To chairperson@aera.gov.in , kapil.chaudhary@aera.gov.in , C V Deepak
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This has reference to the consultation paper no.32/2011/12 dt.03/01/2012. As required in D.O.No.AERA/20010/MYTP/DIAL/2011-12/Vol.II dt.9th January 2012 , we are giving below our views :

- (1) Our association APAI would like to compliment the authority for going into several details which are very pertinent and it is unfortunate that we have not had sufficient time to exchange views among our National Executive and come to a complete analysis.
- (2) The capital cost incurred by an Airport Operator has no bearing on charges to be levied by him, if there was a competitive environment prevailing in the sector. How come a Stakeholders' meeting is being called for, to discuss the DF or UDF or increase in various charges, when there is no scope to compare in a competitive environment.
- (3) We fully agree with the authority on the way Aeronautical and non-aeronautical revenue has been arrived at. Considering the fact that DIAL is part of a listed Public Ltd Co. and all the figures will be available if they are truly reflecting the ground realities.
- (4) We have a very strong feeling that there will be no true reflection as the Private Operator has entered into JV agreements with various Companies almost in every area specially for determining the non-aeronautical income. We say so because we do not know the profit sharing of all these JVs, in such a scenario if a competitive bidding process was followed, a larger revenue might have been generated by all these businesses instead of doing all of them through JVs.
- (5) Adding collection charges for collecting the PSF, DF, etc. is highly unjustified. This further adds to the burden of the passenger. In all statutory levies including the Service Tax charged by the Airlines or any other Service Provider, he has no right to add a collection charge. The collection charge cannot be a percentage of the total collection but should have been only a fixed amount as it is remitted by the Airline Operator by including in the cost of the ticket.
- (6) Funding gap does not have any meaning in a PPP project, as the Airport Developer has been given sufficient concessions and the consideration paid was not based on any market value of the land or the assets at the time of handing over. If one goes by the market value, the Airport operator would have paid 50 – 100 times more than what he paid in real terms. This point must be taken into account while determining any charges leviable on the users of the various facilities in the Airport.

The fact that the Private Operator is collecting huge sums of money from ground handlers, JVs for development of Hotels and other commercial space, etc. reflects the market value and the potential that existed in the PPP model.

- (7) If you are a Builder of a commercial space, or running a chain of food stores, can you pass on the escalation in cost of raw materials or rental to the consumer or do you get governed by the competitive environment. It is sad that we do not have a competitive environment, as far as our Airports are concerned and that is why AERA has been created and is required to look into every aspect and benchmark the facilities created with those of the neighbouring countries where

similar facilities have been created like Singapore, KL in Malaysia, Dubai International.

(8) We would also like to pose a question on whether AERA have a control on the total revenue earned by the Private Operator and the revenue share given by them to AAI. Is it justified on the basis of the 46% revenue share as the AERA cannot look at how transparent is this revenue share model and where revenues from every sq.ft. of the entire land and buildings handed over to the Private Operator are being shared on this agreed percentage or not. We want to bring to your attention the fact that the Private Operator has given a hangar to a Company on a monthly rental of Rs.5,100/- per sq.mt. In fact this Company is not an Airline Operator nor a MRO approved by DGCA. How come a hangar has been given to a Company at such an exorbitant rent, probably the highest in this part of the world. It is a pity that they are still losing money inspite of charging such exorbitant rates. Same is the case with that of the Shops, Restaurants, bars, etc. located in all the terminals.

(9) The non-aeronautical revenue of 10.75% does not look realistic and it is not a true reflection of the kind of revenues being generated.

(10) The Consultant comparing SCHIPOL Airport the Airport in Aucland and the Australian Airports does not have any relevance, as these airports are not built under a PPP model. The PPP model has enabled the Airport Operator to get all the facilities of an existing operator including two runways, several hangars, terminal buildings, etc. with a large extent of land.

(11) Just because GOI has approved a consideration of 350 crores be paid to DMRC. This cannot be considered as AERO assets. We do not see any logic and are convinced that all agreements are made in collusion with various authorities of GOI and must be excluded from AERO assets. All Airports provide this facility as this helps the passenger to commute faster by reducing the traffic on the roads.

(12) The Consultant comparing the facilities created in IGI with 15 other Airports which are existing and are handling much higher passenger throughput is not justified. The capital cost could have been much less if only the Private Operator built the Airport in a modular fashion. We are saying it because facilities have been created for 52 million passengers whereas, the Airport is not handling even 25 million passengers. They could have invested depending on the growth forecast and thus spreading the capital cost over a 5 or 10 year period.

(13) Cost of equity at 16% as suggested by the Authority is certainly the right methodology and also the traffic projections are not in line with the real growth. The Private Operator has tried to justify the increase in various charges by projecting figures to suit their demands. We strongly believe that there is no justification for any increase in the UDF and in fact whatever was being collected earlier is not comparable to the best international practices and should be reduced by 40%.

(14) It is strange that as per the OMDA, Airport Operators are required to get a minimum guaranteed return on the total capital invested/equity. This can happen only when there is no transparency and one gets the blessings of the Government in control of the affairs going on at that time.

We would like to ask GOI & MOCA as to whether any Business, Industry, Enterprise – small, medium or big can ever guarantee themselves a definite return at all times. There are businesses which lose money due to recession, inflation or competition and what have you. This itself has to be questioned and no such guarantees can be given by GOI for any PPP agreement. It has to be able to earn monies on its merits and its competency in management and not by squeezing the

stakeholders.

(15) We strongly believe that if any development fee/housing development fee is going to be charged, the entire fee charged to the passengers must go to the Airport Developer/Operator – i.e. in this case DIAL. This is because they have invested all the money and they are running the Airport. If any revenue share out of this has to go to AAI. We take a strong objection to the same, as AAI is not playing any role and has not invested any monies in the development of all the facilities

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Sudhakara Reddy .D
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"In the service of passenger safety, comfort & seamless travel"