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BRITISH AIRWAYS

Captain Kapil Chaudhary,
Secretary,
Government of India,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi-110003

3 February 2012

Dear Captain Chaudhary,

Determination of Aeronautical Tariff in respect of IGI Airport, New Delhi

We value the opportunity to respond to the proposal on airport charges for Delhi Airport, and the efforts that AERA have already put into this consultation.

As you are aware there is a very fragile balance between profitable and non-profitable flying and the proposed increases will inevitably force the situation into a downward spiral of less tonnage and less frequency. This will also inevitably deepen the financial difficulties of the airport.

As the representative from IATA mentioned these proposed increases would make Delhi one of the most expensive airports worldwide.

This is also set against a worldwide airport environment where many airports have not increased costs for some years and in several cases have actively decreased costs to attract more traffic. Of those where there have been increases the percentages are very seldom in double figures and mostly in very low single figures as shown in the examples below:

Airport	Annual Rate Change
LGW	1.50
VIE	1.29
BRU	-2.3
MUC	2
HKG	0
NCL	0
JFK	-11.35
BOS	-10.95
IAD	-1.47
IAH	-6.27
DEN	0
SEA	0
MAN	4.9

It is best practice for constructive consultation with the airlines on airport projects at their inception to ensure that they are seen as offering a value added opportunity for the airlines and that there is the ability to cover the costs.

As a template there should be:

- Ample time given to the process
- Sufficient leadtime before delivery of the infrastructure to enable full and free consultation
- Sufficient cost and revenue transparency
- Demonstration of a business case that pays back
- Use of a robust traffic forecast
- And clearly delivery only of infrastructure that is required, that is then supported by the above i.e. only deliver capacity in line with forecast growth

This has evidently not been the case and the necessity for these huge increases appears to have been caused by an initial inaccurate business case on project costs, an over optimistic forecast on passenger growth, and no constructive consultation with the airlines at the planning stage.

The current proposal suggests that the airlines should pay for both the overrun of project costs, an infrastructure that is not in keeping with the passenger figures and indeed for some ground transport infrastructure outside the airport . This is against a background of no constructive engagements with the airlines before project implementation to ensure that there was a win win for both airlines and the airport.

It must be noted that the expected return on investment by GMR Group bears no relationship to the industry in which it is operating as the airline industry overall is currently achieving a 0.8% return on investment.

It must also be recognized that should the airlines be forced to collect a development fee through an extra tax on the ticket the airlines will be absorbing these costs for all tickets that have already been sold. As the booking period opens a year in advance this will impact further on the fragile profitability of the airlines thus leading to an ever increasing downward spiral of less tonnage and less frequency.

The passengers themselves are economically constrained so shifting the increased costs to the passengers will also be counter productive.

As the airport is in the long term interest of the macro economic environment of India and the long term prospects for GMR these costs should be absorbed with this in mind and not absorbed by an already struggling industry. A rebalanced structure between the aviation versus non-aviation revenues may help but due to the large deficits involved could certainly not offer a solution.

Yours sincerely,

Roberta Crowder

Roberta Crowder
Procurement Executive