

Lufthansa German Airlines  
Room No. 23, Office Level 04,  
IGI Airport Terminal-III,  
New Delhi-110 037, INDIA



Lufthansa

17

Your Ref. / Our Ref./Date

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24<sup>th</sup> January 2012

Chairman,  
Airport Economic Regulatory Authority  
AERA Building, Administrative Complex,  
Safdarjung Airport, New Delhi – 110003.

Handwritten notes and signatures on the right side of the page:  
- 27/1/2012  
- 37/CHC/AERA  
- 25/1/2012  
- On leave  
- DM/KR  
- 30/1/12  
- Ngr (D.D.)  
- 30/1

Dear Sir,

**Subject : Determination of tariff for aeronautical services in respect of IGI Airport, New Delhi.**

Affordability of flying can be achieved through development of Airport infrastructure which was the roadblock to growth of aviation in India. With the infusion of capital in Airport infrastructure development, the road to growth of aviation was paved. We understand that the private operator needs a reasonable return on their Capex.

Just as in other industries, profit is a reward for risk taking and entrepreneurship. Stakeholders in aviation business were to face the pitfalls of rising fuel prices, increase in aeronautical charges, as well as effects of the downturn of global economy fuelled by recessionary pressures and lowering yields due to a depreciating Indian currency.

This has proven to be a stumbling block to growth of aviation and the airlines are already financially challenged due to this scenario.

The private airport operators must also have had some projections, on the basis of which they signed the OMDA and must have decided to infuse capital accordingly. Such projections, like in any business venture should also have factored in the risk factors.

Once a potential risk becomes a reality, the investor cannot cry foul and ask for bailouts.

Even if the exorbitant increase in aeronautical charges are partially agreed to, the basic purpose of inviting private public partnership will be defeated.

The already financially crippled domestic and international airlines, will have no choice but to pass on the increase to the travelling public, which will reduce the number of flyers who will be able to afford to fly. This will have a cascading effect and not only will airlines bear the brunt of reduced revenues, but the reduced revenues will hit back the airport operators.

Hence such a counter productive agreement should not be allowed to be initiated which will set the downward spiral leading to a lose-lose situation for all.

When we talk of positioning DEL or BOM as a global HUB, we must compete against other HUBs in the region and hence the prices should be kept preferably lower than these airports in order to make DEL as an attractive HUB. Hence any decision should be taken taking in view the following:

- Attractive Aero charges compared with other hubs.

Mitglied der IATA/Member of IATA

Sitz der Gesellschaft/Corporate Headquarters:  
Deutsche Lufthansa Aktiengesellschaft, Köln

Von-Gablenz-Strasse 2-6

Registereintragung/Registration  
Amtsgericht Köln HRB 2168

Vorsitzender des Aufsichtsrats/  
Chairman of the Supervisory Board:  
Dipl.-Ing. Dr.-Ing. E.H. Jürgen Weber

Vorstand / Executive Board:  
Wolfgang Mayrhofer (Vorsitzender / Chairman)  
Stephan Gemkow, Stefan Lauer

Letter : 50664 Köln  
Parcel 50679 Köln

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Member of



STAR ALLIANCE

Lufthansa German Airlines  
Room No. 23, Office Level 04,  
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- Financial situation of airline operators, operational costs and expected yields of both domestic and international operators.
- Impact on fares on domestic and various international sectors as a result of increase in aero charges.
- Decline in confidence of Airline Industry due to deterioration in profitability
- Sharp decline in expectation for traffic growth, both for passenger and cargo markets. Most of the Airline Industry's CFOs and Cargo heads have indicated experience in upward cost pressure with yield expectations remaining at low levels.
- Profit and traffic confidence expectations have now fallen to levels seen at the start of year 2009 wherein the industry was generating losses and travel volumes had weakened sharply.
- Revenue to DIAL from all JVs of Non- Aero activities should be considered for determination of tariff.
- DIAL inherited, under the PPP model, existing facilities including Runways, Taxiways and more importantly land at almost no cost as compared to its market value, these factors should also be taken into account.
- The Airline community also requests to know whether the new Terminal 1D has been included in the Capex of DIAL and whether this terminal was mandated by the Government to be constructed and operated under SSA read with provisions of OMDA
- The various Subsidies and other concessions given by different Government bodies should also be taken into consideration.

Once the impact of such factors are studied, only then a decision should be reached in this regard. Hence we plead that the "X" factor model as proposed by DIAL is a unilateral approach only keeping in view the interests of the Airport Operator and protecting their interests thereby violating the basis of profit being considered a reward for risk taking and entrepreneurship.

We are confident that efforts shall be made to offer a competitive and non-subsidized playing field, free from monopolistic forces wherein there will be a financially viable atmosphere. Enabling Airline operators to not only maintain but increase capacities resulting in even better deals being available to the travelling public thereby giving a fillip to aviation in the country.

We request AERA should act, keeping in view not only the SSA (State Support Agreement) but also the interest of growth of aviation in India which shall lead to affordable fares and making air travel more within the reach of the populace, which can only be possible with sound financial health of airline operators with DEL and BOM being economically attractive destinations to foreign operators, especially those operating long haul services.

Sincerely Yours,



**Axel Hilgers**  
**Director South Asia**  
**Lufthansa German Airlines / Austrian Airlines**

**Copy – Secretary, Ministry of Civil Aviation.**

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