

**Email****gita.sahu@aera.gov.in****RE: Comments on AERA CP 05/06/07/15 of 2020 - Compensating loss of FTC revenue to airport operators****From :** rkbali@baoa.in

Wed, Jun 17, 2020 02:34 PM

**Subject :** RE: Comments on AERA CP 05/06/07/15 of 2020 -  
Compensating loss of FTC revenue to airport operators 1 attachment**To :** GEETHA SAHU <gita.sahu@aera.gov.in>**Cc :** Chairperson Aera <chairperson@aera.gov.in>,  
info@baoa.in

Madam,

Please refer CPs issued to propose for compensating loss of revenue to public airports due to discontinuation of FTC from 8<sup>th</sup> January 2020, as a consequence of MOCA's orders. Our comments are as follows:

- The decision of 'authority' not to alter the existing UDF, as proposed by AAI, by miniscule amounts of 3 to 10 rupees is not understood. Most airlines, as such, have very thin margins of profit and find it difficult to sustain 'operational profitability' even with marginal increase in ATF charges, which happens every now and then. There is always stiff competition between the few airlines operating in India to maximise seat occupancy and, any savings in 'operational costs', as perceived by AERA, would get quickly eroded by selling tickets at discounted price to achieve higher seat occupancy in each flight. Therefore, 'authority's perception that, FTC's abolition would reduce operational costs for airlines, is not well founded. In fact, the whole plea of the airlines here was to 'rationalise the costs of operations' by abolishing unfair charges to let operations become sustainable on long-term basis. In that context, FTC was an unfair charge and, eroding thin profit margins of already struggling airlines, both scheduled and non-scheduled.
- It would be advisable to compensate airport operators, both in PPP model and under AAI, by spreading the amount over the large population of air passengers, whose number would continue to swell in future and, with higher seat occupancy in each flight, the airport operators would get more than adequately compensated for the loss of FTC revenue. As such, the air ticket price in India is one of the cheapest in the world and asking passengers to pay Rs 3 to 10 extra per flight is no big deal, at all. Even MOCA had, earlier, considered charging each passenger extra of around Rs 100/- to finance its ambitious UDAN scheme under RCS.
- 'Authority' is requested to take a long-term view of this revenue compensation, keeping in mind the unprecedented growth of air passenger traffic in India (over 10% every month) continuously for 50 months, till last year. Increasing UDF marginally by Rs 3-10, as suggested by AAI, would help create 'win-win' situation for 'airport operators' as well as 'airlines'. As far as air passengers are concerned,

this is the amount even rail/bus passenger don't mind paying extra for the sake of reliable/sustainable services.

We are readily available for any further discussions on the issue.

**Best regards,**

**Gp. Capt. Rajesh K. Bali (retd.)**

**Managing Director**

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