NO.:FIEO/Banking/Infra/3(7)/2010   15th March, 2010

Dear Shri Prakash,

Sub: Consultation Paper containing AERA's proposed positions/ approach on regulatory philosophy and approach in economic regulation of airports and air navigation services

Kindly refer to your letter No.AERA/25013/CP/03/2009-10/607 dated 4th March, 2010 on the above subject.

2.   Please find enclosed herewith some of our comments / responses to the consultation paper for your perusal.

With regards,

Yours sincerely,

(Ajay Sahai)

Shri Sandeep Prakash
Secretary
Airports Economic Regulatory Authority of India
Rajiv Gandhi Bhawan
New Delhi – 110 003.

Encl.: As above.

Federation of Indian Export Organisations

Sub: Consultation Paper containing AERA's proposed positions/ approach on regulatory philosophy and approach in economic regulation of airports and air navigation services

1. AERA as Nodal Agency towards tariff monitoring besides regulating as per the AERA Act

Part IV of documents on overall regulatory approach (1.1) pertaining to cargo facility operators (2) and Ground Handling Operations (3) is of specific relevance to the export-import trade.

Various types of arrangements exist at present between airport operations and service providers as a result trade associations and MSME end-users receive notices of increase in charges be it from DIAL / MIAL / Airport Authority / Service Providers. As a trade association or an MSME end-users, it is hoped that AERA would not only regulate the tariffs but increase in tariffs, if any may be announced by AERA itself rather than the information of notices coming from different authorities. This will also enable AERA to ensure that the overhead costs / transaction costs of the MSME export sector are monitored and contained in the existing scenario of a global contraction.

AERA may consider its own regulatory parameters be it materiality assessment or competition assessment to ascertain the tariff structure curtail any monopolistic behavior if any, and assure that there is a degree of stability (at least for a period of 2/3 years there should not be any hike in rates which may upset the export pricing of the MSME export sector. These increases in charges may be announced once in two years by AERA rather than notices coming from different agencies like those mentioned above.

2. Single Till / Double Till / Hybrid Till

While a Single Till Model includes both aeronautical and commercial activities, a Double Till Model would include only aeronautical activities while in Hybrid Till Model both aero and non-aero activities are first ring fenced and then some percentage of non-aero revenues are used to cross subsidize and determine aero charges. In the Hybrid Till it is important that the commercial (non-aero activities) are not regulated. It is suggested that a Hybrid Till Model would ensure that there is better footfall at the airports and the tariffs to the MSME export sector are reasonably subsidized.

3. Priority treatment to foreign buyers

FIEO / Export Promotion Councils as listed in Appendix (II) of the Handbook of Procedures of the Foreign Trade Policy 2009-2014 may approach AERA in advance to arrange for priority treatment / separate counter for foreign buyers visiting India in connection with meetings with these councils or members thereof.

It is suggested that AERA may consider such requests tendered in advance by the above mentioned and issue instructions to the concerned airports for making necessary arrangements.