



SpiceJet Limited
319 Udyog Vihar, Phase-IV,
Gurugram 122016, Haryana, India.
Tel: + 91 124 3913939
Fax: + 91 124 3913844

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To,
The Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003.

Kind Attention – Shri. Balwinder Singh Bhullar Ji

Subject: Response to the AERA Consultation Paper No. No. 18/2023-24 dated 17 November, 2023 on determination of tariff for M/s IndoThai Varanasi Private Limited (IVPL), at Varanasi International Airport for the First Control Period (FY2023-24 to FY2027-28)

Dear Sir,

We write in response to the Subject Consultation Paper (CP) and express our sincere gratitude to the Authority for inviting stakeholder comments. The proposed high ground handling tariffs would burden airlines and could lead to reduced air traffic and financial crisis of airlines. Thus, we request the Authority to not implement the same and also not to implement any year-over-year (Y-O-Y) increase in tariffs.

Without prejudice to the above, and as desired by the Authority, please find below our comments on the Consultation Paper:

1. Review of Tendering Process: License Agreements (Refer Para 1.2 of the CP):

The Authority is requested to ensure that Airport Operators do not award concessions to independent service providers based solely on the revenue share offered, as this breeds inefficiencies and could disproportionately increase costs for airlines.

In addition, the Authority is requested to review and ensure that due process for all Related Party Transactions in connection with award of concession to IVPL has been followed and approved as per appropriate governance practices.

2. Projected Traffic, Revenue, Opex, Capex:(Para 3.4 and Table 3, 4, 5, 6 & 7 of CP):

The traffic to be handled by IVPL in 2026-27 has been projected to increase by 65%. However, as there is no evidence that the carrier mentioned in Para 3.4 would take wings by 2026-27, the projections for Traffic, Revenue, Opex and Capex appear on higher side for that year. Authority may like to review these projections accordingly.

In addition, the Repair & Maintenance cost projected at 7% for FY 2024-25 appears to be high, considering the equipment would be new. We request the Authority to kindly review the same. It may please be noted that costs incurred by IVPL impacts the airlines, as such the cost is passed through or borne mostly by airlines. In order to ensure that there is no adverse impact in the tariff, we request Authority to kindly put on hold increase in operational expenditure by IVPL not related to safety or security.

3. Abolishment of Royalty Charges/ Concession Fee: (Refer Table 6 & 7 of the CP):

We urge Authority to take measures to abolish royalty which may be included in any cost items, making it a burden on the airlines, thus leading to higher air fares and lower traffic. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including EU, Australia etc.

4. Tariff: (Refer Table 8, 9 & 10 and Annexure I, II, III of the CP):

As there is no evidence as of now that the carrier mentioned in Para 3.4 of the CP would take wings by 2026-27 and provide IVPL with additional business, and Authority is requested to review the proposed Tariff considering the reality of the situation.

Further, it is noted that the some of the proposed tariffs are excessively high as compared the Tariffs for similar services for International flights in recent consultations, like of GSEC Indo-Thai at Jaipur e.g. Air Conditioning Units and Air Starter Unit. Authority is requested to conduct a review of the proposed Tariffs for similar services at comparable airports before deciding. It is requested that the maximum rates should not be allowed to be higher than other comparable airports.

Thus, it is humbly submitted that the Authority does not take any steps, including by way of approving the proposed high tariffs, during the First Control Period. We also humbly request the Authority to not implement any Y-O-Y increase in tariffs and defer any increase in the same to the subsequent control period.

We hope that your good self will positively consider the above recommendations/ comments as it will help in achieving the affordability and sustainability of the aviation sector including airlines, which is also outlined as a key objective in the National Civil Aviation Policy, 2016.

We thank you for your continued support in advance.

Yours Truly,
For SpiceJet Limited


Suryavir Singh Bisht
Sr. General Manager – Regulatory Affairs
SpiceJet Ltd |319 | Udyog Vihar | Phase IV | Gurgaon - 122016| India
Phone: +91 124-3913939 Extn: 71774 Mobile: +91-9650037598
W: www.spicejet.com F: facebook.com/flyspicejet T: @flyspicejet
Copy to: Director (P&S Tariff), Airports Economic Regulatory Authority of India