



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

December 22, 2023

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. 21/2023-24 dated 01 December, 2023 on determination of tariff for M/s IndoThai Calicut Private Limited (ICPL), at Calicut 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 1.1 of the CP):

The Authority is requested to ensure that Airport Operators do not award concession agreements to ISPs 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 ITBPL has been followed and approved as per appropriate governance practices.

2. Projected Traffic:(Para 3.7 and Table 3 of CP):

The international traffic to be handled by ICPL from 2025-26 onwards has been projected to increase Y-OY by 19%. However, as there is no evidence that the permission mentioned in Para 3.7 would take effect from FY 2024-25, the projections for Traffic, Revenue, Opex and Capex appear on higher side for that year (and onwards). Authority may like to review these projections accordingly.

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3. Deferment of Capital Expenditure (Refer Para 4.1 and Table 4 & 5 of the CP):

The projection for the capital expenditure appears to be on a very higher side, when compared to the capital expenditure proposed by the same concessionaire (M/s IndoThai Airport Management Services Pvt. Ltd) for similar services at Bhubaneswar (refer consultation paper no. 20/2023-24 dated 01 Dec. 2023). In the aforementioned consultation paper, the capital expenditure proposed at Bhubaneswar for a projected traffic of 28,658 landing is INR 1,083.24 Lakhs, whereas in the case of Calicut the same concessionaire is proposing a capital expenditure of INR 2,392.29 Lakhs for merely 10,761 landings. In other words, ISP is proposing a capex at Calicut which is 2.3 times the capex proposed at Bhubaneswar, for landings which are less than 40% than that of Bhubaneswar. It appears that it is unlikely that all the Capex equipment as proposed would be required. We request Authority to please review the proposed capex at Calicut accordingly.

In order to support the airlines to continue and sustain its operations, all non-essential CAPEX proposed by ICPL should be put on hold/deferred to the Second Control Period, unless deemed operational necessary or critical from a safety or security compliance perspective.

4. Projected Opex: (Refer Para 5.4 and Table 7 of the CP):

The costs for Payroll appears to be on an extremely higher side. Authority is requested to kindly review the same. It may please be noted that cost incurred by ICPL impacts the airlines, as such cost is passed through or borne mostly by the airlines. In order to ensure that there is no adverse impact/increase in the tariff, we request the Authority to kindly put on hold any increase in operational expenditure by ICPL not related to safety or security.

5. Abolishment of Royalty Charges/ Concession Fee: (Refer Para 5.5(c) and Table 7 of the CP):

We urge the Authority to take measures to abolish royalty which may be included in any of the 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 European Union, Australia etc.

6. Tariff: (Refer Para 6.1, 6.2 and Table 8 & 9 and Annexure I, II, III of the CP):

Authority is requested to kindly conduct a thorough review of the proposed Tariffs for similar services at comparable airports before arriving at a decision. Further, it is also requested that the maximum rates of ICPL may not exceed the rates as approved by the Authority for M/s AI Airport Services Limited for similar services being rendered by them at the same airport for the relevant periods should.

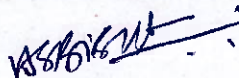
Thus, it is humbly submitted that the Authority does not take any steps, including by way of approving the proposed high tariffs, during the First Control Period. We also humbly request the Authority to not implement any Y-O-Y increase in tariffs during the First Control Period and defer any increase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

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We hope that you will consider the above recommendations positively, 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

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Copy to: Director (P&S Tariff), Airports Economic Regulatory Authority of India