

F. No. AERA.20010/AAI-UDF/2009-10
Airports Economic Regulatory Authority of India

Minutes of Stakeholder Consultation Meeting held on 5.04.2010

Subject: Consultation Paper containing AERA's proposed decision on the proposal of AAI to levy User Development Fee (UDF) at Trivandrum International Airport (Consultation Paper No.05/2009-10 dated 26.3.2010).

A stakeholder consultation meeting was convened by the Authority on 5.04.2010 at 1100 hrs., in the Conference Room of the Trivandrum International Airport, Trivandrum to elicit the views of the stakeholders on the Consultation Paper No 05/2009-10 issued by the Authority setting out its proposed decision in respect of proposal of AAI to levy UDF at Trivandrum International Airport pursuant to the commissioning of the new international terminal building at the said airport. The list of participants is enclosed.

2. Chairperson, AERA welcomed the participants and requested Member (Finance), AAI to apprise the participants about the AAI's proposal.

3. Member (Finance), AAI made a short presentation, inter-alia, highlighting the following:-

- (i) A new international terminal building with 32000 sq. mt. area has been constructed. International operations shall be shifted to this new building by 30.04.2010.
- (ii) With the commissioning of the terminal building, the terminal area for international operations would increase from 9000 sq. mt. to 32000 sq. mt. and the passenger handling capacity would increase from 800 to 1600.
- (iii) The distance from the city centre to the new international terminal is just 6 kms as against 12 kms of the existing terminal building.
- (iv) The new terminal building has 3 aero bridges, inline baggage screening system, CUTE enabled check-in counters and 3X60 mt. inclined baggage conveyor system on the arrival side.
- (v) After the commissioning of the new international terminal building, the existing international terminal building would be utilized as domestic terminal whereas the AAI is still to finalize the plan for utilization in respect of the existing domestic terminal building.
- (vi) The project is not financially viable without levy of UDF and levy is proposed to bridge the viability gap.

4. Regional Director, Southern Region, NACIL raised the following issues:-
 - (i) There should be a differential UDF in respect of low cost carriers such as Air India Express.
 - (ii) Since there is no UDF at Kochi airport, there is a likelihood that the international traffic originating from Trivandrum may get diverted to Kochi.
 - (iii) AERA has proposed to allow UDF on the basis of figures for 10 years. In case the UDF is considered over a 15 years period, the incidence would be lower and, therefore, more acceptable.
 - (iv) The new terminal is proposed to be used only for international operations whereas existing international terminal would become domestic terminal. This would necessitate a lot of inter-terminal movement of aircraft and passengers, which would lead to coordination problems and wastage of time.
5. Shri S. Gupte, General Manager, NACIL stated that:
 - (i) The project cost appears to have escalated by 17.5% from the originally estimated cost of Rs. 245.58 crores to Rs. 289.60 crores. There is no explanation for this increase in the project cost.
 - (ii) AERA may consider benchmarking of project cost so that the cost of inefficiencies is not passed on to the user.
 - (iii) The revenue from non-aero services and cargo services does not seem to have been taken into consideration.
6. The representative of Air India Express stated that there needs to be a separate rate of UDF for LCC passengers.
7. Executive Director (Integration), NACIL stated that they have some views about the computation method adopted in respect of UDF proposal. The written comments of NACIL would be submitted by the due date, i.e., 9.04.2010.
8. Shri Vijay Kumar, Jet Airways stated that as per their estimates AAI would collect an amount of Rs. 1036 crores over 10 years period (on the proposed rates), the current NPV whereof is Rs. 568.88 crores. Since the completion cost of project is estimated at Rs. 289.60 crores, the proposal needs to be examined in this light.
9. Shri M. Ramachandran, Kingfisher Airlines pointed out that the airport assets are long-term assets. Therefore, confining the UDF to only 10 or 15 years period needs to be reconsidered.
10. Shri Rajat Kumar, Indigo Airlines informed that though his airline does not, presently, operate from Trivandrum, it is in the final stages of commencing its

operations. While taking the final decision in the matter, they would certainly take on board the AERA's final decision regarding UDF levy.

11. The representative of FIA stated that he has no specific comments to make.
12. Additional Secretary, Transport, Government of Kerala stated that they have no specific comments to make at this stage and the views of the State Government will be submitted in writing to the Authority.
13. Member (Finance), AAI clarified that:
 - (i) AAI is a public sector unit. Its expenditure and revenues are regularly audited by the C&AG besides the statutory auditor. Further, the projects of this magnitude are approved by the Central Government after following due process. Therefore, the users should not have apprehensions in respect of efficiency of investment etc.
 - (ii) AAI, in principle, supports the integrated terminal building concept. However, wherever due to paucity of space they are unable to construct an integrated terminal building, stand alone international and domestic terminals are planned. In the case of Trivandrum airport, new building has been constructed only for international traffic due to land constraints.
14. Secretary, AERA indicated that:
 - (i) AERA does not propose to permit any UDF in respect of domestic passengers.
 - (ii) The non-aero revenue has been considered by AAI in its proposal on hybrid till (30%) basis. AERA while examining the proposal, for the time being, did not challenge projections in respect of non-aeronautical revenue. However, it has considered the proposal on single till basis which has, inter-alia, led to significant reductions in the UDF rates.
 - (iii) The present determination is proposed to be made on an ad-hoc basis on the basis of figures for 10 years period. However, the entire determination will be reviewed and final UDF levy will be decided by AERA at the time of determination of aeronautical tariff for Trivandrum International Airport.
15. In his concluding remarks, Chairperson, AERA stated that:
 - (i) It is true that airport assets are long-term assets with life beyond 10 or 15 years. However, the long-term debt market in our country has not matured. In fact, normally, even for an infrastructure project, debt is available for a tenure of 8 to 10 years. In the present case, AAI has, for the first time, borrowed money from the market and apportioned a part of the same in respect of the Trivandrum airport. Thus, UDF rates are proposed on the basis of figures for 10 years period keeping in view the viability of the project in the above background.

- (ii) In the Consultation Paper No. 03/2009-10 dated 26.02.2010 issued by the Authority, it has been proposed that any significant capital investment should be undertaken only after effective user consultation. However, this cannot be insisted upon in the cases where the capital investment program is already underway.

List of Participants:

AERA:

1. Shri Yashwant Bhawe, Chairperson - in Chair
2. Shri M. P. Vijayakumar, Member
3. Shri Sandeep Prakash, Secretary
4. Shri C. V. Deepak, OSD-II

Government of Kerala:

5. Smt. P. Crestha, Additional Secretary, Transport Department

Airports Authority of India:

6. Shri S. C. Chhatwal, Member (Finance)
7. Shri R. Devraj, Regional Executive Director, Southern Region
8. Shri V. N. Chandran, APD, Trivandrum

NACIL:

9. Shri Sunil Kishan, Regional Director, Southern Region,
10. Smt. Vineeta Bhandari, Executive Director (Integration)
11. Shri Surendra Gupte, General Manager
12. Shri Sanjay Tandon, Manager (Finance)

Air India Express:

13. Shri A. S. Gopinath

Jet Airways:

14. Shri Vijay Kumar
15. Shri A. Ramachandran

Kingfisher Airlines:

16. Shri M. Ramachandran

InterGlobe Aviation Limited (Indigo):

17. Shri Rajat Kumar, Director

Federation of Indian Airlines:

18. Shri Ujjwal Dey