

ASSOCIATION OF PRIVATE AIRPORT OPERATORS



APAO/AERA/CP-01/2016-17

Date: 15th Nov. 2016

The Chairman,
Airports Economic Regulatory Authority,
AERA Building,
Safdarjung Airport,
New Delhi

Sub: APAO response to Consultation paper no.01/2016-17 in the matter of aligning certain aspects of AERA's Regulatory approach with the provisions of the National Civil Aviation Policy -2016 (NCAP-2016) approved by the Government of India

Dear Sir,

We invite your kind attention to the Consultation paper no.01/2016-17 "in the matter of aligning certain aspects of AERA's Regulatory approach with the provisions of the National Civil Aviation Policy -2016 (NCAP-2016) approved by the Union Cabinet. Since Independence, this is the first time an integrated National Civil Aviation Policy (NCAP) has been brought out by the Government. APAO as an apex Industry body of 5 Major PPP Airports in India welcomes the decision now being taken by the Hon AERA to align certain aspects of AERA's regulatory approach with the provisions of the NCAP 2016 so as to implement a Hybrid Till regime in the country. In our view the AERA CP is therefore a reinforcement of the NCAP 2016. The following are our comments /suggestions on the AERA consultation paper.

1. APAO has been constantly demanding in the past both with the Government (MoCA) and the Regulator to have a regulatory philosophy which should be light handed and in a manner to facilitate the development of airports in India by leveraging appropriate entrepreneurial synergies for bringing investments, efficiencies, improved service quality and healthy competition. The regulatory prescription should also be congenial for attracting the much required, huge private investments into the highly capital intensive airport sector and encouraging the growth of non-aeronautical revenues to make airport business operations economically viable. Implementing a Hybrid till tariff regime for all the major Airports is a step in the right direction.
2. In this connection APAO would also like to take this opportunity to compliment MoCA in notifying a path breaking National Civil Aviation Policy 2016(NCAP-2016) wherein the Ministry of Civil Aviation (MoCA) has decided to implement sweeping changes in the Indian aviation sector. The NCAP- 2016 looks at implementing radical changes driven by the ambitious plan of moving India's position to the top 3 in the world by 2020-21.



The intent to fast track the sector development and harvest its multiplier effects on the economy and spurring investments are clearly visible in the policy. One of the very promising features of the policy is prescribing a Hybrid till regime. The National Civil Aviation Policy has categorically clarified the Till policy and the Government has stipulated a 30% Hybrid Till model tariff regime for the airport sector in the country. The land mark decision of the Government to adopt a 30% hybrid till regime for Airport sector will attract potential investors (both domestic and international) into the Indian Airport sector. It would also encourage and incentivize the operators to upgrade and modernize airport infrastructure in a timely manner which would be beneficial both to the Airlines and passengers. The Regulator has to take this further to implement it and take steps to remove certain uncertainties/ ambiguities in the Tariff Regulatory Philosophy existing today. APAO believes that the regulatory disposition must be aligned with the government's objectives and the policy formulations of the government. If not, the potential investors would perceive it as an increased regulatory risk. We strongly believe that a forward looking regulatory environment plays a crucial role in attracting the much required investments. Further, the investors also look for certainty and consistency of regulation. Adopting a Hybrid till with 30% revenue sharing for all Airports in the country will provide the required clarity on Till and will help attract the much required investments into the sector that will facilitate the growth and development of Airports in the country. Moreover, this will ensure uniformity and level playing field across all operators of Major Airports for both the existing and the new ones that are coming up in India.

3. **In view of the above APAO fully supports AERA in its decision to implement a Hybrid Till with 30% non aero revenue cross subsidy, for all Airports in India and would request the Hon Authority to implement this at the earliest.**

Our comments on specific issues brought out in the CP

- 4) Hon Authority is aware that the draft NCAP which contains, inter alia, the proposal of implementing a Hybrid till tariff regulatory philosophy for all Airports in the country has been subjected to an intensive and exhaustive 20 months long consultation process both through written, open house discussions and meetings with respective stakeholder groups. The NCAP has been notified by the Government only after taking in to account the suggestions/comments from the various stakeholders received during the consultation process and also after having inter-ministerial discussions and finally approved by the Union Cabinet. The Hybrid Till proposal in the consultation paper is very much in line with the policy notified by the Ministry/Government.
- 5) AERA has proposed that the true up for the first control period shall be done on "single till basis". In this connection we submit that in the case of DIAL and MIAL both these Airports are already in the Hybrid Till regime as per their OMDA/concession agreements.



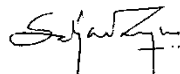
- a. In the case of GHIAL, as mentioned by the Hon'ble Authority in the present CP, the Ministry of Civil Aviation has already issued a direction in the matter of applicable Till for RGI Airport, Shamshabad, Hyderabad. The said direction was issued by MoCA during the first control period itself and pursuant to a direction issued by the Hon'ble High Court at Hyderabad to it in a matter filed by GHIAL challenging the tariff Order 38/2013-14 dated 24.02.2014 issued by the Authority for the first control period. Hence, the true up for RGI Airport the Hybrid Till of 30% is applicable from the commencement of operations of RGI Airport.
- b. In case of BIAL on account of specific Government policy directives issued by MoCA, the Hybrid Till is applicable.

In view of the above, for the above said PPP Airports, true up adjustment should be on the Hybrid Till from the date of commencement of their respective operations..

- 6) AERA has also proposed to change the criteria for competition assessment for ground handling service providers and mandating minimum 3 GH service providers as notified in the NCAP. In this connection we submit that we are an ardent supporter of competition in the ground handling business. We believe that, apart from Airport operator itself or its JV partner, subsidiary companies of national carrier or their JVs specialized in GH Services and any other Professional GH Service Provider selected through competitive bidding on revenue sharing basis by the Airport operator subject to security clearance by the government and observance of performance standards as may be laid down by the Airport operator are eligible to provide GH Services. In view of this mandating 3 ground handling agencies is a welcome step and is in line with the GH policy issued by DGCA through AIC no. 3/2010 dated 02.06.2010. However the only issue that needs to be kept in mind is that in the event a third GH entity is not willing to operate in a particular major airport due to finding it as an unviable business proposition, then in such cases 2 or more GH service providers criteria should be applied.

We request the Hon. Authority to kindly take into account our above suggestions while implementing a Hybrid till tariff regime in the country and issue necessary orders without any further delay.

**Thanks & Regards,
For Association of Private Airport Operators**


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