

ASSOCIATION OF PRIVATE AIRPORT OPERATORS

Regn No. S/64468/2009

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APAO/MoCA/2012-13/03

Date: 06 December 2012

Shri K.N. Sivastava, IAS,
Secretary,
Ministry of Civil Aviation,
Government of India,
Rajiv Gandhi Bhavan,
Safdurjung Airport,
New Delhi.

Subject: **Guidelines for Slot Allocation, October 2012**

Dear Sir,

Your kind reference is invited to the '**Guidelines for Slot Allocation, October 2012**' ("Guidelines") issued by the Ministry of Civil Aviation. The guidelines for slot allocation issued by the Ministry contain several proposals which are against the interest of airport operators. Sir, you will recollect that on many occasions we have brought to your kind notice the adverse effects of the proposal of the Ministry on slot allocation. We had kindly requested the Ministry both in writing and also during couple of meetings held with you to not proceed in the manner it was being proposed. We are however surprised to see that the Ministry has issued the Guidelines for Slot Allocation ignoring our genuine concerns/ suggestions. We are equally surprised to notice that the Guidelines are a reflection of the text that has been adopted by IATA. We are of the view that the Guidelines serve the purpose and interest of the airlines whereas the role as well as the interest of the airport operators has been totally undermined and ignored. We humbly submit that the Guidelines in the current form are not acceptable to us.

The insistence for existence of an Independent Coordinator does not merit consideration as it violates level playing field. The introduction of an Independent Coordinator replacing the Airport Operator would skew the slot allocation process away from the Airport Operator which is an important stake holder in the Aviation sector. Such unilateral change would lead to operational issues which have not been kept in mind at the time of framing the guidelines despite the same being brought to the knowledge of MoCA by APAO on many occasions.

It may also be noted that the bid documents clearly envisaged that the Airport Operator would continue to be the Coordinator in respect of slot allocation. Massive FDI has been flown into the private airports based on the policy decisions. It may be noted that such investments were based on the existing policy decisions including Slot allocation guidelines which were documented and circulated to the potential bidders.

Even though there are several issues of concern in the Guidelines, at this juncture we are highlighting only a few critical issues:

1. Appointment of Independent Coordinator (S. No. V(3) (3a) (3b), Page No.11): Contradictory to the provisions of OMDA and the Concession Agreements executed with the airport operators

As per the OMDA and the Concession Agreements, the airport operator is solely responsible for the management and allocation of aircraft landing and timetable slots at its airport for both domestic and international traffic. This is one of the important rights of airport operator clearly and categorically set out in the OMDA and the Concession Agreements and has been part of the bid documents as well. The entire bidding process is based on the terms and conditions as set out in the bid documents that were provided to the bidders. The bids have also been submitted keeping in perspective the terms and conditions contained in OMDA / the Concession Agreements. Further, the right of slot management by the airport operators is also one of the enablers to meet obligations with regard to performance and quality standards, as prescribed under the OMDA / Concession Agreement.

It is humbly submitted with concern that the Guidelines issued by the MoCA are in direct violation of and contradiction to the terms of the OMDA / the Concession Agreements, thereby eroding the validity and sanctity of the bidding process and affecting the ability of the airport operators to meet their respective quality and performance standards.

In this regard, your kind attention is invited to Para V(3) (3a) (3b) of the Guidelines, wherein it is provided that for Slot Allocation at Level 3 airports, each airport operator would designate an Independent Coordinator, which will be administratively and financially independent of the airport operator.

In this regard, we would like to state that during the first meeting held in the presence of Secretary MoCA on 15th June 2011, the issue of Independent Coordinator was raised by IATA which was discussed and strongly opposed by the airport operators.

We have also submitted our strong opposition to MOCA vide our letter No. APAO/MOCA/2/2011-12 dated 26th July 2011.

MoCA had taken cognizance of the terms of the agreements executed with the airport operators and various points raised by the airport operators during the meetings and representations, and therefore, the draft guidelines issued by MoCA clearly stated that the airport operator will designate a coordinator. In this manner MoCA clarified its stand and understanding that for various reasons the airport operators will continue to undertake the rights and responsibilities of slot management.

As such the airport operators did not raise this issue any further with MoCA and the matter was understood to have been closed and APAO, vide letter no. APAO/MOCA/2012-13/02/13 dated 4th May 2012, offered comments on various other issues of concern contained in the draft guidelines.

In the backdrop of the rights of the airport operators clearly expressed in OMDA / Concession Agreements and various discussions had with MoCA, the inclusion of the concept of Independent Coordinator is a matter of surprise and concern to us, as it virtually takes away the rights of the airport operator on slot allocation even though the entire investment and the airport infrastructure has been developed by the airport operator itself.

Further, as per the recent policy announcement to promote hub-development at airports in India. Different airlines (including Air India) are developing various airports into their hubs. The airline to closely coordinate for its hub-development with the concerned airport-operator. The appointment of Independent Coordinator cannot facilitate / coordinate with an airline to such extent, on account of its independent nature. Therefore, in a growing and developing market, like India, the requirements and policy framework need to be distinguished from those of developed and mature markets such as EU.

We, therefore, request the Ministry to kindly relook into this clause and make necessary changes in the Guidelines by mentioning that only a coordinator (not a coordinator who is financially and administratively independent) must be designated by the airport operator. Since the airport operator is responsible for the management and allocation of slots at airports and also responsible for creating the infrastructure at airports, this is the only way to ensure that the slot allocations are managed in a fair, reasonable, equitable and most efficient manner. Any other method will result into infringing upon the functional and operational autonomy given to the private airport operators in slot allocation and for achieving operational efficiencies to meet the mandated quality of service standards as per OMDA/SSA/Concession Agreements.

2. Historicity (S. No. VI , Page No. 12-14):

As per the slot allocation guidelines notified by the Ministry it is mentioned that historic precedence is granted if the airline can demonstrate that the series was operated at least 80% of the time during the period allocated in the previous season. We have recommended earlier and emphasizing again that 90% of the usage requirement should be used for calculation of historic precedence, in the interest of the passengers as well as the airport operators. The requirement of 90% usage will minimize the incidents of cancellation of flights and misuse of allocated slots. It will also ensure optimum utilization of resources and the opportunity cost.

3. Slot Misuse (S. No. VI , Page No. 14-15):

We had recommended following points to minimize slot misuse:

- i. Slots of airlines must be withdrawn who are not making payments on time and are regular defaulters.
- ii. Slots not operated continuously for 7 days (both in Summer /Winter Season) or intermittently for more than 21 days in summer and 15 days in winter may be withdrawn.
- iii. Penalty clause, for preventing misuse of slots.

The guidelines notified by the Ministry have not considered any of our recommendations. However we have observed that the guidelines only mentions that continued slot misuse may result in low priority in future slots. We submit that this is a very mild approach and is insufficient deterrent to prevent misuse of slots. We request Ministry to kindly relook into these issues and reconsider our recommendations to eliminate misuse of slots, minimize revenue loss to airport operator and ensure optimum utilization of perishable resources.

4. Demand and Capacity Management (S. No. IV, Page No. 9):

We are in agreement with the concept of "Demand and Capacity Management Committee" consisting of Airport Operator, AAI and DGCA only.

However, there is ambiguity on the constitution of the committee, as the list of members in the main documents and in the Annexure are not the same. In this committee, only the representatives of the Airport Operator, AAI and DGCA are relevant.

5. Coordination Mechanism (S.No V Page no. 11):

The Guidelines states that Demand and Capacity Management Committee which is also called as Coordination Committee would also advise the Coordinator on matters relating to capacity, slot allocation and monitoring of slots at the airport. In addition the Coordination Committee is also envisaged to provide mediation on the complaints about allocation and issues of slots. We are opposed to the advisory and mediation roles assigned to the Coordination Committee.

It is submitted that at the stage of capacity determination, there is a mechanism under the Guidelines to display the declared capacity in public domain, which shall form the basis for slot allocation. The existing system of declaration of capacity parameters is based upon capacity assessment and is carried out in coordination with AAI by the concerned airport is suitable as it gives the flexibility to adjust maximum flights within the capacity of airport while meeting the various obligations as per OMDA. Airports are in a good position as well as under a definite obligation to decide the timely modification/expansion of airport facilities to meet the increase in demand, in terms of both, passenger movements and aircraft movements. Therefore, advisory role for coordination committee is not required at all.

In order to address any unresolved slot issues, the Disputes Committee has been constituted under the Guidelines, which is sufficient to handle any unresolved issues.

It is also stated that advisory and mediation role of the Coordination Committee will create administrative hurdles, unwanted delays and unexplained red-tapism in the entire system and make it totally inefficient. Accordingly the role of the Coordination Committee to be restricted to Demand and Capacity Analysis.

6. Dispute Resolution Committee (S. No. IV, Page No. 9):

We have noted that there are dissimilarities in constituent of Dispute Resolution Committee. On Page 20 of the Guidelines, Airport Operator has not been included in the committee whereas on Page 26 of the said document, Airport Operator has been included as a member of the committee. We would therefore request you to correct this anomaly and include airport operator as a member in order to present its views in any dispute.

7. Airport Slots are not Route/Aircraft/Service specific (S. No. X, Page No. 24):

APAO in its submission to the draft guidelines stated that there is strong possibility that Airline may take slots by indicating a type of aircraft and later change to another type of aircraft. This is likely to lead to violation of airport capacity parameters, which will result in inconvenience to the passengers and inefficient use of airport infrastructure.

Further this will only encourage and incentivize the airlines to withdraw aircraft from routes linking to remote areas to metros / commercially profitable routes. Slots might have been allocated to airlines considering the market requirement/need for travelling public/balancing of economic development/regulatory requirement/airport strategy, etc.

We are requesting Ministry that slots need to be route/type of services/aircraft specific. Any change in route/type of services/aircraft must have prior approval of Slot Coordinator/Airport Operator which has been ignored in the Guidelines.

We welcome the clause that while allocating the slots preference will be given to hub operation and new routes.

8. Timelines (S. No. XI, Page No. 25):

Timelines mentioned in the guidelines are in sync with the IATA slot guidelines except SAL deadlines which mentioned that SAL should be given to airlines not later than 2 days after initial submission deadlines. The timeline is too short and unrealistic for SAL and it should be in sync with the IATA slot guidelines timelines. The document is also not clear about its applicability on Domestic Slot Coordination.

We would also like to draw your kind attention to the following aspects and issues that the Guidelines do not address:

9. Implementation of SSIM message format

MoCA in the Guidelines of Slot Allocation has not mentioned about the format for exchange of communication between airline and airport coordination. As per the global standards and IATA recommendations, the slot related communication between the Airline Network Planning team and Airport Slot Coordination takes place as per IATA recommended SSIM format. This is important to ensure standardization, quality of data and efficiency in processing to meet goals of operational efficiencies.

10. Structure of domestic schedule conference

Since the major contributor of Indian aviation is primarily the domestic flight operation, it needs to be coordinated in very structured manner. There is need to have a separate schedules conference to discuss the domestic flight operation to address schedule and congestion topics of all airports and airlines.

Since there is a potential of congestion at level 2 airport as well, a separate domestic schedules conference should be held soon after the IATA schedules conference and all airports and airlines should be participating in the event.

11. Amendment by the airlines

Considering the commercial and operational need of the airlines, the request for changes in the approved flight schedule by the airlines may be accepted by the airports but there could be restriction on number of amendments during the season or frequency of amendments. In addition, no amendment from airlines should be accepted for atleast one month after the start of season to ensure integrity of seasonal schedule (P19, para ii).

12. Block hours consideration for slot allocation

We would like to honor the block hours as prescribed by Director General of Civil Aviation and airport operator can provide due consideration to the block time requirement of airlines while allocating the slots but the decision on allocation of slots need to be primarily driven by available airport capacity. Further, the Guidelines has no disincentive for airlines that do not honour block hours prescribed by DGCA.

It also needs to be emphasized that block time determination (planning of flight schedule and submission to airports accordingly) shall be the responsibility of respective airline (P 20, para vi).

13. Other issues (S. No. IX, Page No. 22-23):

Further, the Guidelines need to be amended to provide that the slots should be automatically returned to the airport operators in the following cases:

- a) Slots of an airline which ceases to operate at an Airport
- b) Slots of an airline that loses its operating license
- c) Slots of an airline after merger and acquisition

Upon revival/ resumption of operations, the airlines may apply for fresh slots. This will help airport operator to allocate the available slots arising out of non operation to the other carriers for improved connectivity and efficient use of airport infrastructure.

Hence, we request the Ministry to include the above points in the Guidelines in order to ensure proper and efficient utilization of the airport infrastructure and capacity.

Sir, we wish to submit to the Ministry that the guidelines on slot allocation issued now by the Ministry will take away the exclusive right of private airport operators threatening the basic fabric of OMDA and SSA agreements. The present system followed in the private airports are working exceedingly well as is evident from various honors and awards of ranking the private airports have achieved in their quality and performance standards. The airport operator is creating the infrastructure at the airports and is therefore the most competent to optimally utilize the resources and undertake slot allocation at airports. We request Ministry to consider our concerns on this issue and modify the guidelines suitably, as we are not in a position to comply with and give effect the Guidelines in their current form.

We would also like to seek a meeting with you comprising of a small industry delegation to apprise you of our concerns on this issue any time convenient to you. Since the matter is extremely important we request you Sir to kindly confirm your earliest convenient time in advance to enable our members even outside Delhi to attend the meeting.

Thanks & Regards
For Association of Private Airport Operators


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