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File No.09/18/2008-IR

This AIC is issued for dissemination of the directions of Ministry of Civil Aviation in their letter No. AV. 29012/43/2016-AD dated 18.06.2020.



(Arun Kumar)

Director General of Civil Aviation

**ISSUE OF AIC FOR PROVISION OF COMPENSATION IN LIEU OF FUEL
THROUGHPUT CHARGES AT AAI CIVIL ENCLAVE, PUNE**

The Airports Economic Regulatory Authority (AERA), in exercise of powers conferred on them by section 13(1) of the Airports Economic Regulatory Authority of India Act, 2008, vide Order No. 11/2020-21 dated 12th June, 2020, has allowed AAI Civil Enclave, Pune to increase the UDF for the remaining 2nd Control Period from 15.06.2020 to 31.03.2021 or, till determination of charges for the 3rd Control Period. A copy of the aforesaid order is enclosed herewith.

File No. AERA/20010/MYTP/AAI-Pune/CP-II/2016-17/Vol-I

Order No. 11/2020-21



Airports Economic Regulatory Authority of India

**In the matter of Provision of Compensation in lieu of Fuel Throughput Charges at
AAI Pune Airport (Civil Enclave).**

12th June, 2020

भा. वि. आ. वि. प्रा.
AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003



1. Introduction

The Airports Economic Regulatory Authority (AERA) is a statutory body constituted under the Airports Economic Regulatory Authority of India Act, 2008 vide Gazette Notification dated 5th December 2008. The AERA was established by the Government, to create a level playing field and foster healthy competition among major airports, to encourage investment in airport facilities, to regulate tariffs for aeronautical services etc.

2. Functions of AERA

The main functions of AERA are:

- to determine the tariff for the aeronautical services;
- to determine the amount of the development fees in respect of major airports;
- to determine the amount of the passengers service fee levied under rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934 (22 of 1934);
- to monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorized by it in this behalf.

3. Back Ground

In accordance with the provisions contained in Section 13 of Airports Economic Regulatory Authority of India Act (AERA Act), 2008, the Authority determined aeronautical tariffs of AAI Civil Enclave, Pune, for the Second Control Period i.e. 01.04.2016 to 31.03.2021 vide Order No. 15/2017-18 dated 30.10.2017.

3.1 As detailed in Table 47 under para 16.5 of the above said Order, the Authority determined Rs.536.10 crores as the total discounted Aggregate Revenue Requirement (ARR) as per Regulatory Building Blocks for the entire period of Second Control Period. Fuel Throughput Charge (FTC) was one of the components to achieve this revenue requirement along with other revenues from aeronautical services such as Landing, Parking & Housing, UDF, etc.

3.2 The Fuel Throughput charges considered as part of ARR by the Authority as per the above Tariff Order is given in table -1 below:

Table - 1

	FY 2020-21
Charges per KL (in Rs)	129.77/ KL
Revenue (Rs. in crores)	2.04

4. Ministry of Civil Aviation vide letter No.AV.13030/216/2016-ER (Pt.2) dated 08.01.2020 has decided to discontinue the levy of Airport Operator Charge or Fuel Throughput Charge in any manifestation at all airports. Para 4 of the said letter reads as under:



“Keeping in view all aspects of the matter, in light of the need to uphold affordability and sustainability of air passenger and air cargo transportation as per the National Civil Aviation Policy 2016, it has been decided as follows:

- (i) Levy of airport operator charge or fuel throughput charge in any manifestation shall be discontinued at all airports, airstrips and heliports across India with immediate effect.
- (ii) AERA/ Ministry of Civil Aviation, as the case may be, should take into account the amount in this revenue stream and duly compensate the Airport Operator/ AAI by suitably recalibrating other tariffs during their determinations of airport tariffs.”

5. Considering the above policy decision of MoCA, the Authority vide letter No. AERA/ 20015/FT/2010-11/Vol.II dated 15.01.2020 advised the Airport Operators at all ‘major’ airports to implement the aforesaid MoCA letter with immediate effect. AERA, also advised the Airport Operators to submit their proposal for compensation, if any, due to discontinuation of Fuel Throughput Charges (FTC) for consideration of the Authority.

6. AAI vide letter no. AAI/CHQ/AERA/FTC/2020 dated 23.03.2020 submitted their proposal to compensate revenue loss of Rs.1.46 crores (at NPV) on account of discontinuation of FTC at Civil Enclave Pune, for the remaining period of 2nd Control Period i.e.15.01.2020 to 31.03.2021. AAI proposed to recover the expected revenue loss in the form of increased UDF charges.

The shortfall in revenue from 15.01.2020 to 31.03.2021 calculated by AAI is given in Table-2 below:

Table – 2 Shortfall in FTC Revenue as calculated by AAI

Period for which Loss of FTC Revenue claimed by AAI	15.01.2020 to 31.03.2020	FY 2020-21	Total FTC loss claimed by AAI
FTC Revenue Projections as per AERA Tariff Order (Rs. in crores)	0.40	2.00	2.40
PV factor	0.6750	0.5921	
FTC Revenue Projections (at NPV)	0.26	1.20	1.46

6.1 AAI submitted that, Civil Enclave, Pune, is in the fifth year (FY 2020-21) i.e. last year of the ongoing Control Period (FY 2016-21), and, true up exercise will take time of 06 to 07 months, in the meanwhile, AERA may consider allowing compensation in the form increase in UDF Charges as per table-3 below.



Table – 3 Increase in UDF / Pax as Proposed by AAI

FTC Compensation claimed by AAI in FY 2020-21 (at NPV) (Rs. In Crores)		1.46 (A)	
No. of Departing Pax as per Tariff Order (50% of total traffic projections for FY 2020-21)		5326528 (B)	
Increase in UDF per Pax proposed by AAI (A / B)		Rs. 3/- approx	
Existing Rates of UDF as per AERA Tariff Order		Revision in UDF Rates proposed by AAI	
DOM	INTL	DOM	INTL
394	787	397	790

7. Authority's Examination

The Authority carefully examined the proposal of AAI submitted in reference to letter no. AV.13030/216/ 2016-ER (Pt.2) dated 08.01.2020 issued by MoCA.

7.1 The Authority, is of the view that, normally, the monetary benefit of abolishing the FTC is expected to entirely go to the Airlines and accordingly any compensation on account of abolishing FTC should be recovered from Airlines. However, it also notes that at all Civil Enclaves, including Pune, Landing Charges accrue to the Defence Authorities, and, not to the AAI (Airport Operator). The compensation of FTC at the Civil Enclaves cannot be recovered / compensated through increase in Landing Charges. The Authority, therefore, is of the view that at Civil Enclave, Pune, the shortfall in FTC revenue, hitherto accruing to AAI, has to be compensated by way of increase in UDF charges. As per Tariff Order No.15/2017-18, the Authority, had expected that during FY 2020-21 of the 2nd Control Period, AAI would generate revenue from UDF Charges and FTC as detailed below:

Table – 4 Projected Revenue from UDF / FTC as per Tariff Order

	(Rs. in crores)
	FY 2020-21
Revenue from UDF charges	216.80
Revenue from FTC	2.04



7.2 The Authority observed that the tariff for Civil Enclave Pune have been determined up to 31.03.2021 i.e. the 2nd control period (01.04.2016 to 31.03.2021) of which the 5th tariff year FY 2020-21 is in progress. Therefore, the expected shortfall in revenues from FTC may not be more than the FTC revenues projected for FY 2019-20 & FY 2020-21 as per the AERA Tariff Order No.15/2017-18.

Further, the Authority observed that, AAI, in its Proposal had calculated the shortfall in FTC revenues by applying Present Value (PV) factor. However, as per the accepted principles, PV (discount) factor is applied only in the beginning of a Control Period, and, in this case the shortfall is occurring in the fifth tariff year FY 2020-21 (incl. 2.5 months in FY 2019-20) of the Control Period and is also being compensated in FY 2020-21, which is already in progress. Therefore, the Authority, considered the actual projected FTC Revenue as in the Tariff Order No.15/2017-18 without applying the discount factor.

Accordingly, based on absolute projections as per the Tariff Order, the Authority calculated the expected shortfall in FTC / ARR for FY 2019-20 to be Rs.0.38 crores (pro rata for 2.5 months) for the period from 15.01.2020 to 31.03.2020, and, Rs.2.04 crores for FY 2020-21. Thus the total shortfall in revenue from FTC / ARR, as per Authority's calculation is, expected to be Rs.2.42 crores for the period from 15.01.2020 to 31.03.2021, to be recovered in the remaining 9.5 months of FY 2020-21 of the 2nd Control Period by adjusting the corresponding passenger numbers.

7.3 Accordingly, the Authority proposed to compensate the shortfall of Rs.2.42 crores in FTC/ARR revenues to AAI by increasing the existing UDF Charges at Civil Enclave, Pune, by Rs.6.00 per pax for the remaining 2nd Control Period from 15.06.2020 to 31.03.2021 (Total Pax no. considered by the Authority for FY 2020-21 = $5326528 * 9.5 / 12 = 4216834$).

8. The Authority, having examined the submissions made by AAI, issued the Consultation Paper No. 04/2020-21 dated 27.05.2020 proposing the following for stakeholder consultation:

- (i) The Authority proposes to increase UDF charges at Civil Enclave, Pune, by Rs.6.00 per pax for the remaining 2nd Control Period from 15.06.2020 to 31.03.2021, or, till determination of aeronautical charges for the 3rd control period, to recover the shortfall in FTC revenue of Rs.2.42 crores.
- (ii) To true up revenue based on actuals while determining tariff for 3rd Control Period.

9. Stakeholder's Comments

In response, the Authority, has received comments from Airports Authority of India (AAI) only. The comment so received was uploaded on AERA's website vide Public Notice No. 05/2020-21 dated 10.06.2020. AAI has accepted AERA's proposal as in the Consultation Paper.



Order

Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13(1) (a) of the AERA Act, 2008 hereby orders that:

- (i) The Authority has decided to allow increase in UDF charges at Civil Enclave Pune for the remaining 2nd Control Period i.e. from 15.06.2020 to 31.03.2021, or, till determination of aeronautical charges for the 3rd Control Period, to recover the shortfall of Rs.2.42 crores in lieu of abolition of FTC. The Authority, has decided to enhance the existing UDF to Rs.400/- and Rs.793/- for Domestic and International Embarking Passengers respectively w.e.f. 15.06.2020 as annexed at "**Annexure I**";
- (ii) To 'true up' the revenue based on Actuals while determining tariff of Civil Enclave, Pune, for the 3rd Control Period;
- (iii) **The Revised UDF will be applicable on tickets issued on or after 15.06.2020;**
- (iv) The UDF rates indicated in the tariff card are also in accordance with section 13(1)(b) read with rule 89 of the Aircraft Rules, 1937. The rates approved herein are the ceiling rates, exclusive of taxes, if any.

सत्यमेव जयते

By the Order and in the name of the Authority

(Ram Krishan)

Director (Policy & Statistics)

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To

Airports Authority of India,
Rajiv Gandhi Bhavan,
Safdarjung Airport,
New Delhi -110 003.

AERA



AAI Civil Enclave Pune

Revised UDF Charges approved by AERA for CE PUNE to be applicable from 15.06.2020 to 31.03.2021

I) User Development Fee (UDF)

PAX	Existing Rates of UDF as per AERA Tariff Order No. 15/2017-18	Revised UDF applicable for ticket issued on or after 15.06.2020
Domestic per embarking passenger	Rs. 394 (excl. taxes)	Rs. 400 (excl. taxes)
International per embarking passenger	Rs. 787 (excl. taxes)	Rs. 793 (excl. taxes)

*The above UDF Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.

II) Fuel Throughput Charges for the period from 01.04.2020 to 31.03.2021

	Unit	As per AERA Order No. 15/2017-18	Abolished by MoCA w.e.f. 15.01.2020
Fuel Throughput Charges	INR per KL	129.77	NIL

Note : All other charges, and, terms & conditions, as determined vide AERA Order No.15/2017-18 dated 30.10.2017 shall remain applicable.

