

Name:	 UPES UNIVERSITY WITH A PURPOSE
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2020

Course: Airport Economics
Program: MBA AVM
Course Code: TRAV 7005

Semester: II
Time: 03 hrs.
Max. Marks: 100

Instructions:

S. No.		Marks	CO
Q1	Answer All the question		
1	The eighth freedom of the air (right for sabotage) is defined as the right of an airline to: a. Operate between two points in a country other than the country it is registered in b. Carry back passengers from a foreign country to the country it is registered c. Operate entirely outside the country in which it is registered in carrying passengers between two other countries d. Stop in another country for technical reasons, but not to pick up or drop off passengers	5	CO2
2.	According to ICAO's _____ document policies concerning security charges, any charges or transfers of security costs should be directly related to the costs of providing the security services concerned and should be designed to recover no more than the relevant costs involved.	5	CO3
3	. A statement _____ and _____ of cash flows should be prepared to highlight movements in cash flows for the period concerned. This statement also provides information on the entity's liquidity position of the organization.	5	CO1
4	Scheduled airlines are defined by offering: a. Rentals of planes for specific purposes b. Air links according to a published schedule c. Only point-to-point services d. Ad-hoc charter services	5	CO1
5	A 'slot' is: a. A space of check-in counters at an airport b. A point in time where an airline has the right for one take-off or one landing at an airport c. A door on the aircraft's hull to load and unload cargo d. The air bridge that connects the aircraft to the terminal building	5	CO3
6	Airports should maintain accounts that provide a satisfactory basis for determining and allocating the costs to be recovered, should publish their financial statements on a regular basis, what are these documents _____?	5	CO4
SECTION B			
Q2	Answer any 5 Questions with an Example:		

1	Explain Methods of determination Regulatory Asset Base (RAB),	10	CO2
2	Formulate the Contributions of Airports business towards the national Economy has been developmental, and Regulatory body play for the development of the Airports?	10	CO3
3	Are industry forecasts of growth realistic in light of the environmental constraints on the industry? How should we strike the right balance between securing the economic benefits of aviation and addressing environmental impacts?	10	CO3
4	How do governments exercise their responsibilities in a commercialized environment where airports and air navigation services changed their ownership and control structures as well as management approaches?	10	CO4
5	Illustrate all the basic itemization of revenues, expenses and costs that may be considered air traffic operations?	10	CO3
6	Design all the stages of Cost center determination process of the Airport Business?	10	CO2

SECTION-C

Q 3	<p>Answer any two Question:</p> <p>Economic oversight: In 2006, the ownership and the management of Mumbai and Delhi airports were transferred to Mumbai International Airport Limited (MIAL) and New Delhi International Airport Private Limited (DIAL). Subsequently, two consortia led by India's infrastructure holding company GMR were granted 30-year concessions to operate each airport under a PPP. In both cases, the GMR-led consortium holds 74 per cent of the airport operators share while AAI retains the remaining 24 per cent. In addition, MIAL and DIAL are requested to pay AAI, in consideration for the grant of concession, an annual fee of respectively 38.7 per cent and 45 per cent of their revenues. With respect to greenfield airports, Hyderabad International Airport Limited (GHIAL) was established with the participation of the Government of Andhra Pradesh (13 per cent), AAI (13 per cent), GMR (63 per cent) and Malaysia Airports Holdings Berhad (MAHB, 11 per cent). It was granted a 30-year concession and it is requested to pay to the Government of India an annual fee amounting to 4 per cent in consideration for the grant of concession. Bangalore Airport Limited (BIAL) was established with the participation of Karnataka State Industrial Investment and Development Corporation Limited (13 per cent), AAI (13 per cent), Siemens Project Ventures GmbH (40 per cent), Flughafen Zurich AG (17 per cent) and Larsen & Toubro Limited (17 per cent). It was granted a 30-year concession and it is requested to pay to the Government of India an annual fee amounting to 4 per cent in consideration for the grant of concession. While six other airports were granted approval to be constructed and financed in PPP, all other airports are fully owned and operated by AAI.</p> <p>Airports The Naresh Chandra Committee also examined the economic oversight of airports. In its report to the Ministry of Finance and Company Affairs, the Committee pointed airports specifically, suggesting to separate completely the economic oversight functions, for example through the creation of a new state agency. It also suggested to revise airport charges in order to bring them in line with international practices and standards. A few years later, the Parliament of India passed the Airports Economic Regulatory Authority of India Act, which created the Airports Economic Regulatory Authority (AERA) in 2008. The main function of the AERA is to regulate airports handling (or designed to handle) more the 1.5 million passengers per year (concerned airports are: Mumbai, Delhi, Chennai,</p>		
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	<p>Bangaluru, Kolkata, Hyderabad, Kochi, Ahmedabad, Goa, Thiruvananthapuram, Pune and Calicut), and to monitor their performance standards. The AERA is thus in charge of establishing user charges with application of the single-till principle, for a five-year period, by taking into account the following elements: the capital expenditure incurred and timely investment in improvement of airport facilities; the service provided and its quality and other relevant factors; the cost for improving efficiency; economic and viable operation of major airports; revenue received from services other than aeronautical services; the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and any other relevant factors. On 24 April 2012, AERA approved a 345 per cent increase in charges at Delhi Airport (DIAL requested a 774 per cent hike). On 16 January 2013, it approved a 154 per cent increase in charges at Mumbai Airport (MIAL requested a 872 per cent hike). It should nevertheless be noted that the single-till principle has been challenged in the Appellate Tribunal by airport operators and a decision is still pending. Furthermore, the AERA order approving the increase in charges at Delhi and Mumbai airports have also been challenged by their users It will be up to the Airport Economic Regulatory Authority Appellate Tribunal (AERAAT) to settle the dispute. Other AAI airports are regulated by the Ministry of Civil Aviation, and operate under the single-till. AAI has the obligation to keep operating non-economically viable airports that are necessary for socio-economic purposes: to a certain extent, non-profitable airports are cross subsidized by the profitable ones. At present, AAI is levying airport charges which are different for international, domestic and civil enclaves; however, charges are uniform for all airports within the same group. After an 8-year gap, the Ministry of Civil Aviation allowed an upward revision of 10 per cent in aeronautical charges in the year 2009.</p> <p>Economic oversight: ANSP AAI continue to regulate and set air navigation services charges under a cost-plus fair rate of return based regulation.</p>		
a	Mention all the critical success conducted at performance assessment and report of DIAL and MIAL ?	10	CO2
b	Economic oversight is a set of rules and regulations founded by International Civil Aviation Organization (ICAO) and AERA with aim to improve efficiency and accountability of the Commercialized Airport. Please conduct the impact analysis on all the internal and external factors with relevant examples?	10	CO4