



Federation of Indian Airlines
E-166, Upper Ground Floor,
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Website: www.fiaindia.in

21st November 2022

To,
The Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi- 110003.

Kind Attention – Shri. Balwinder Singh Bhullar Ji

Sub: FIA Response to the AERA Consultation Paper No. 10/2022-23 dated 20th October 2022 on determination of Aeronautical Tariff for Sardar Vallabhbhai Patel International Airport, Ahmedabad for the Third Control Period (01.04.2021 – 31.03.2026)

Ref: *AERA stakeholder consultation (virtual) meeting dated 09 November, 2022.*

Dear Sir,

We, the Federation of Indian Airlines (on behalf of our members, IndiGo, SpiceJet, Go First and Air India) write in response to the Consultation Paper No. 10/2022-23 issued by the Airports Economic Regulatory Authority of India (“**AERA**” or “**Authority**”) in the matter of determination of Aeronautical Tariff for Sardar Vallabhbhai Patel International Airport, Ahmedabad (‘**SVPIA**’) for the Third Control Period (01.04.2021 – 31.03.2026) (‘**Consultation Paper**’ or ‘**CP**’).

At the outset, we would like to express our sincere gratitude to AERA for inviting stakeholder comments on the CP, and further acknowledging the impact of COVID-19 on the aviation sector.

Sir, you will appreciate that airlines which are the ‘catalyst’ for the global economy including the aviation sector, have been adversely impacted due to significant headwinds, including travel restrictions during COVID-19, increase in prices of Aviation Turbine Fuel (ATF) and fluctuation in foreign exchange etc.

While the airline operations showed an upward trend from December 2020, however the brutal second wave of COVID-19 in March 2021 and subsequent emerging variants of COVID-19, as well as the geo-political instability caused due to the Russian – Ukrainian conflict which have resulted in adverse impact on global supply-chains, increase in inflation, triggered increased interest rates, devaluation of Rupee, decrease in consumer spending as well as looming recession fears have again impacted the operations to a certain extent and resultantly prolonged the process of financial recovery.

It appears as per the recent industry outlook reports issued by CAPA, Indian Airlines are estimated to make a loss of approx. USD 1.4-1.7 billion in the current fiscal year FY 23. It also appears from the industry reports that the traffic recovery (number of flights and passengers) would take almost another one to three years for airline operations to reach pre COVID-19 levels.



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In the current situation, airlines in India are staring at significant losses and with limited financial support from the Government, airlines are constrained to implement severe cost control measures to sustain their operations. On the other hand, the same report mentions that Indian Airports are expected to report significant profits in the region of USD 420 million for the FY23.

Customers of airlines have limited capacity to pay for the Air Fares, and when the cost of travel goes up (caused in part due to high airport operator charges), the air traffic goes down, leading to further losses and financial crisis for airlines, which may be feared due to recession. This Public Notice No.10/2022-23 dated 31st October 2022 to the CP, proposes a huge increase in the aeronautical tariffs by Ahmedabad International Airport Limited ("AIAL") – as mentioned under **Annex - A** in AERA is kindly requested to take note of our observations mentioned therein.

In this regard, we humbly request AERA to not implement any increase in the aeronautical tariff in the Third Control Period and defer any increase in the same to subsequent control period, if any, given the adverse financial impact of COVID-19. Without prejudice to the above, we request AERA to kindly note our submissions in the format desired by AERA i.e., **Annex – B** hereto and not increase any tariffs.

We hope that your good self will positively consider such recommendations/ comments as it will help in achieving the affordability and sustainability of the airline, which is also outlined as a key objective in the National Civil Aviation Policy, 2016.

We look forward to your continued support in these challenging times.

Thanking you in advance.

Yours Truly,

UJJWAL DEY
Associate Director

Copy to:

Director (P&S Tariff), Airports Economic Regulatory Authority of India



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Annex - A

Observations on proposed Tariff Card (Proposed by AIAL)

AERA is kindly requested to take note of our observations mentioned on the proposed Tariff card.

TABLE – A : Landing Charges: (Refer Public Notice no 15/2022-23– Annexure A) (In Rs.)

Particulars	Existing Tariff			Proposed by AIAL (Apt. Operator)			
	MT	FY 2020-21 (Rates eff. 15.07.2020 to 31.03.2021)	FY 2021-22 (Existing rates eff 01.04.2021 to 31.03.2022)	FY 2022-23 (Tariff w.e.f. 01.04.2022 to 31.01.2023)	FY 2023-24 (Tariff w.e.f. 01.02.2023 to 31.03.2024)	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)
LANDING CHARGES – Rate Per MT							
DOMESTIC - Per MT	Up to 25 MT	.@ Rs. 144.2 per MT	.@ Rs. 144.2 per MT	.@ Rs. 144.2 per MT	x	x	x
	Above 25 MT up to 50 MT	.@ Rs. 3,605 + 226.6 per MT in excess of 25 MT	.@ Rs. 3,605 + 226.6 per MT in excess of 25 MT	.@ Rs. 3,605 + 226.6 per MT in excess of 25 MT	x	x	x
	Above 50 MT up to 100 MT	.@ Rs. 9,270 + 257.5 per MT in excess of 50 MT	.@ Rs. 9,270 + 257.5 per MT in excess of 50 MT	.@ Rs. 9,270 + 257.5 per MT in excess of 50 MT	x	x	x
	Above 100 MT up to 200 MT	.@ Rs. 22,145 + 278.1 per MT in excess of 100 MT	.@ Rs. 22,145 + 278.1 per MT in excess of 100 MT	.@ Rs. 22,145 + 278.1 per MT in excess of 100 MT	<u>x</u>	x	x
	Above 200 MT	.@ Rs 49,955 + 298.7 per MT in excess of 200 MT	.@ Rs 49,955 + 298.7 per MT in excess of 200 MT	.@ Rs 49,955 + 298.7 per MT in excess of 200 MT	x	x	x
	Per MT	x	x	x	.@Rs. 400 per MT	.@Rs. 420 per MT	.@Rs. 441 per MT
Eg: Q400 Landing charges for 80	30 MT	4738	4738	4738	12000	12600	13230



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& PLUS seater (Rs.)							
Eg: B737-800 (Rs.)	79 MT	16737.5	16737.5	16737.5	31600	33180	34839
Variance % from existing	Q-400		0%	0%	153%	166%	179%
Variance % from existing	B737-800		0%	0%	89%	98%	108%
INTERNATIONAL - Per MT	Up to 25 MT	.@ Rs. 195.7 per MT	.@ Rs. 195.7 per MT	.@ Rs. 195.7 per MT	x	x	x
	Above 25 MT up to 50 MT	.@ Rs. 4,892.5 + 360.5 per MT in excess of 25 MT	.@ Rs. 4,892.5 + 360.5 per MT in excess of 25 MT	.@ Rs. 4,892.5 + 360.5 per MT in excess of 25 MT	x	x	x
	Above 50 MT up to 100 MT	.@ Rs. 13,905 + 422.3 per MT in excess of 50 MT	.@ Rs. 13,905 + 422.3 per MT in excess of 50 MT	.@ Rs. 13,905 + 422.3 per MT in excess of 50 MT	x	x	x
	Above 100 MT up to 200 MT	.@ Rs. 35,020 + 484.1 per MT in excess of 100 MT	.@ Rs. 35,020 + 484.1 per MT in excess of 100 MT	.@ Rs. 35,020 + 484.1 per MT in excess of 100 MT	x	x	x
	Above 200 MT	.@ Rs 83,430 + 576.8 per MT in excess of 200 MT	.@ Rs 83,430 + 576.8 per MT in excess of 200 MT	.@ Rs 83,430 + 576.8 per MT in excess of 200 MT	x	x	x
	Up to 100 MT	x	x	x	.@Rs. 600 per MT	.@Rs. 630 per MT	.@Rs. 662 per MT
	Above 100 MT	x	x	x	.@Rs. 700 per MT	.@Rs. 735 per MT	.@Rs. 772 per MT



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Eg: Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	6695	6695	6695	18000	18900	19860
Eg: B737-800 (Rs.)	79 MT	26152	26152	26152	47400	49770	52298
Variance % from existing	Q-400		0%	0%	169%	182%	197%
Variance % from existing	B737-800		0%	0%	81%	90%	100%

Particulars	Existing Tariff			Proposed by AIAL (Apt. Operator)			
	MT	FY 2020-21 (Rates eff. 15.07.2020 to 31.03.2021)	FY 2021-22 (Existing rates eff 01.04.2021 to 31.03.2022)	FY 2022-23 (Tariff w.e.f. 01.04.2022 to 31.01.2023)	FY 2023-24 (Tariff w.e.f. 01.02.2023 to 31.03.2024)	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)
PARKING CHARGES - Per Hr. per MT							
DOMESTIC Per Hour/MT- (Charge Above 2 hours)	Upto 25 MT	.@ Rs. 3 per Hour per MT	.@ Rs. 3 per Hour per MT	.@ Rs. 3 per Hour per MT	x	x	x
	Above 25 MT up to 50 MT	.@ Rs. 75 + 4 per hr per MT in excess of 25 MT	.@ Rs. 75 + 4 per hr per MT in excess of 25 MT	.@ Rs. 75 + 4 per hr per MT in excess of 25 MT	x	x	x
	Above 50 MT up to 100 MT	.@ Rs. 175 + 8 per Hr per MT in excess of 50 MT	.@ Rs. 175 + 8 per Hr per MT in excess of 50 MT	.@ Rs. 175 + 8 per Hr per MT in excess of 50 MT	x	x	x
	Above 100 MT up to 200 MT	.@ Rs. 575 + 10 per Hr per MT in excess of 100 MT	.@ Rs. 575 + 10 per Hr per MT in excess of 100 MT	.@ Rs. 575 + 10 per Hr per MT in excess of 100 MT	x	x	x
	Above 200 MT	.@ Rs 1575 + 11 per MT in excess of 200 MT	.@ Rs 1575 + 11 per MT in excess of 200 MT	.@ Rs 1575 + 11 per MT in excess of 200 MT	x	x	x



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	Per MT	x	x	x	.@ Rs. 18.22 per Hour per MT	.@ Rs. 19.13 per Hour per MT	.@ Rs. 20.09 per Hour per MT
Eg: Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	95	95	95	546.6	573.9	602.7
B737-800 (AUW 79016) (Rs.)	79 MT	407	407	407	1439.38	1511.27	1587.11
Variance % from existing	Q-400		0%	0%	475%	504%	534%
	B737-800		0%	0%	254%	271%	290%

TABLE – B : Parking Charges: (Refer Public Notice no 15/2022-23– Annexure A) (In Rs.)

INTERNATIONAL Per Hour/MT- (Charge Above 2 hours)	Upto 25 MT	.@ Rs. 3 per Hour per MT	.@ Rs. 3 per Hour per MT	.@ Rs. 3 per Hour per MT	x	x	x
	Above 25 MT up to 50 MT	.@ Rs. 75 + 4 per hr per MT in excess of 25 MT	.@ Rs. 75 + 4 per hr per MT in excess of 25 MT	.@ Rs. 75 + 4 per hr per MT in excess of 25 MT	x	x	x
	Above 50 MT up to 100 MT	.@ Rs. 175 + 8 per Hr per MT in excess of 50 MT	.@ Rs. 175 + 8 per Hr per MT in excess of 50 MT	.@ Rs. 175 + 8 per Hr per MT in excess of 50 MT	x	x	x
	Above 100 MT up to 200 MT	.@ Rs. 575 + 10 per Hr per MT in excess of 100 MT	.@ Rs. 575 + 10 per Hr per MT in excess of 100 MT	.@ Rs. 575 + 10 per Hr per MT in excess of 100 MT	x	x	x
	Above 200 MT	.@ Rs 1575 + 11 per Hr per MT in excess of 200 MT	.@ Rs 1575 + 11 per Hr per MT in excess of 200 MT	.@ Rs 1575 + 11 per Hr per MT in excess of 200 MT	x	x	x



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	Up to 100 MT	x	x	x	.@ Rs. 18.55 per Hour per MT	.@ Rs. 19.48 per Hour per MT	.@ Rs. 20.45 per Hour per MT
	Above 100 MT	x	x	x	.@ Rs. 17.50 per Hour per MT	.@ Rs. 18.37 per Hour per MT	.@ Rs. 19.29 per Hour per MT
Eg: Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	95	95	95	556.5	584.4	613.5
Eg: B737-800 (Rs.)	79 MT	407	407	407	1465.45	1538.92	1616
Variance % from existing	Q-400		0%	0%	486%	515%	546%
	B737-800		0%	0%	260%	278%	297%

TABLE C

UDF Charges:(Refer Public Notice no 15/2022-23– Annexure A)

(In Rs.)

Particulars	Existing Tariff			Proposed by AIAL (Apt. Operator)				
	BASIS	FY 2020-21 (Rates eff. 15.07.2020 to 31.03.2021)	FY 2021-22 (Existin g rates eff 01.04.2021 to 31.03.2022)	BASIS	FY 2022-23 (Tariff w.e.f. 01.04.2022 to 31.01.2023)	FY 2023-24 (Tariff w.e.f. 01.02.2023 to 31.03.2024)	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)
UDF CHARGES								
DOMESTIC	Per Embarking PAX ONLY	85	85	Per Embarkin g Pax.	85	703	738	775
	% Increase (YOY)				0%	727%	5%	5%



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INTERNATIONAL	Per Embarking PAX ONLY	85	85		85	1400	1470	1544
	% Increase (YOY)				0%	1547%	5%	5%

Refer the above displayed Tables A, B and C, kindly note the following from the above table:

1. Tables A: AIAL has proposed increase in the Landing Charges (Domestic) on Q-400 (80 & above seater) approximately increase between 153% to 179% from existing charges; and on B-737-800 approximately increase between 89% to 108% from existing charges. Similarly, for Landing Charges (International) on Q-400 (80 & above seater) approximately increase between 169% to 197% from existing charges; and on B-737-800 approximately increase between 81% to 100% from existing charges.
2. Tables B: AIAL has proposed to increase in the Parking Charges (Domestic) on Q-400 (80 & above seater) approximately increase between 475% to 534% from existing charges; and on B-737-800 approximately increase between 254% to 290% from existing charges. Similarly, for Parking Charges (International) on Q-400 (80 & above seater) approximately increase between 486% to 546% from existing charges; and on B-737-800 approximately increase between 260% to 297%.
3. Tables A & B: For Landing and Parking charges, AIAL has reduced the number of tariff slabs, which is contrary to airline interests. We request the AERA to reinstate the current tariff slabs as practiced (Landing & Parking Charges: "up to 25 MT", "Above 25 up to 50 MT", "Above 50 to 100 MT", "Above 100 to 200 MT" and "Above 200 MT") instead of the new proposal of only one slab of "per MT" for domestic and only two slabs "Up to 100 MT" and "Above 100 MT" for international flights.
4. Tables C: AIAL has proposed increase in the UDF of between 727% on Domestic Passengers and up to 1,547% on International Passengers for the Third Control Period. It is understood that there is no proposal to apply UDF on Disembarking passengers, of which Authority is kindly requested to get a confirmation from AIAL.

It is in the interest of all the stakeholders that the proposed tariffs not be implemented as the proposals are excessive. AERA is requested to reconsider the same, as also keeping in view our points as mentioned in Annex - B of this letter.



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Annex - B

We humbly request AERA to not implement any increase in the aeronautical tariff in the Third Control Period. In addition, without prejudice to above, we request AERA to kindly note FIA's submissions to the AERA CP. No. 10/2022-23 on determination of Aeronautical Tariff for Sardar Vallabhbhai Patel International Airport (SVPIA) Ahmedabad for the Third Control Period (01.04.2021 – 31.03.2026)

S. No.	AERA's Proposal under each Chapter	Comments
1.	Background, Framework of tariff determination	<p><u>Para 3.2</u></p> <p>It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), "<i>aeronautical services means any services provided -</i> <i>(i) For navigation, surveillance and supportive communication thereto for air traffic management...</i>"</p> <p>It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services, should form part of aeronautical revenues and accordingly AERA should take into account of the corresponding revenue and revise the tariff card.</p>
2.	True up of AAI for the period from FY 2017 TO COD	<p><u>Para 4.7</u></p> <p>It is submitted that:</p> <p>(a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs. Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.</p>



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		<p>(b) We observe that Fair Rate of Return of 14% provided to Airport Authority of India (“AAI”) is higher than comparison to the same being given to the present Airport Operator i.e. AIAL@ 12.21% (Refer 8.2.10 of the CP). Without prejudice to (a) above, there appears no rationale to provide higher return to AAI in comparison to AIAL and accordingly AERA may reduce the FROR suitably.</p> <p><u>Para 4.14.1 – 4.14.8</u></p> <p>We recommend that no adjustment of RAB should be provided in favour of AAI for period after the COD i.e. 6th November, 2020, post which the operational control of the Ahmedabad Airport is transferred to AIAL.</p>
3.	True up of Airport Operator for the period from COD till March 31, 2021	<p><u>Para 5.6.</u></p> <p>Same as Comment for Para 4.7 (S.No. 2) above</p>
4.	Traffic for the Third Control Period	<p><u>Para 6.2.1 – 6.2.2</u></p> <p>It is submitted, that FIA is not in agreement with the proposal of AERA to consider the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity for non-RCS flights that are exempted from landing charges as the same is without any basis. It may be noted that it will not be a true indicator of the traffic projections at the Ahmedabad airport and any deductions from billable traffic will adversely impact the computation of non-aeronautical revenue We request the AERA to reconsider the same, in line with the AERA’s proposal in the recent consultation paper number 10/2022-23 dated 20th October 2022 (ref 6.2.3 of the consultation paper number 10/2022-23), which is a consistent approach followed by the AERA in this regard in line with all Major Airports.</p> <p>In view of the above, we propose that the exempted billable ATM/passenger traffic as proposed by AERA in their tariff card) should not be accepted.</p>
5.	Regulatory Asset Base (RAB) and Depreciation for the Third Control Period	<p>The entire ecosystem needs to be operationally efficient, which can be brought about, amongst other things by capital expenditure efficiency studies, which AERA is requested to conduct.</p>



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Para 7.3.14 (read along with Para 14.2.3 to 14.2.6) and Table 76 & Table 83:

Capitalisation of Terminal Building:

It is to be noted that, as per Table 76, the expected traffic is only 19.85 MPPA by the end of the Third Control Period (2026), whereas AIAL has proposed to increase the capacity by the commissioning of the NITB Phase 1 to 36.6 MPPA by the end of 2026.

AERA has itself pointed out in para 7.3.14 of the CP, that there is gap in capacity planning by AIAL and has recommended expansion and development of the airport in a modular fashion.

In view of the above, it is humbly requested that AERA may allow only necessary modifications while taking normative approach which matches the capacity to projected traffic and avoids undue stress on the Airport end users.

This view is also supported by National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. Which has also been conveyed by AERA vide its Order No. 14/2016-17 dated 12th January 2017.

Considering the above points, it is stressed that the expansion of the terminal building and its capitalisation should be split into at least two (or more) control periods, as per the expected traffic trends estimated at the end of each control period.

Para 7.3.15 & 7.3.18

We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13 June, 2016 in order to keep the overall cost control and efficiencies in capex projects.

Para 7.3.160:



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It is mentioned that AIAL has estimated storage requirement to be 700 KL per day (pre-COVID) i.e., 5000 KL storage demand based on 7 day requirement and is proposing a greenfield project of 8,000 KL capacity.

While it is appreciated that AERA has reviewed the same and is proposing 5,00 KL as Phase 1, already all OMC's together combined capacity of ATF fuel facility has a storage capacity of approx. 2810 KL, can it please be clarified the reason to build additional storage capacity of 5000 KL within the Third Control period, as even if the pre COVID-19 volumes are doubled per day to 1400 KL per day during the Third Control Period, the current storage facility is more than sufficient to cater to this demand during the Third Control Period. It is requested that the same may be kindly reviewed and the need for expansion in the storage capacity, which has been proposed to be capitalised at RS. 135.87 Crores be please put on hold until the next control period.

Accordingly, the proposal of the AIAL in its MYTP for the revised pricing for Fuel Infrastructure Cost, Aircraft Defueling and Re-fuelling of defueled products may kindly not be accepted.

Para 7.3.183

We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period.

Para 7.3.184

We observe that AERA has remarked on the trend of revisions to the capital projects does not instill confidence in about the near and long-term planning of capital projects by AIAL. In this regard, we urge AERA to undertake an independent study on Efficient Capex at Ahmedabad International Airport.

Para 7.7.3 Table 161

While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the



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		<p>‘Useful Life of Airport Assets’, it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years. FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the ‘Building’ including ‘Terminal Building as’ is practiced by some of the developed aviation ecosystem.</p> <p>In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective. Further, in case Airport operator wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines. And lastly, we appreciate AERA’s consideration of deferring few proposed Capex projects from the Third Control Period to the Fourth Control Period.</p>
6.	Fair Rate of Return (FRoR) for the Third Control Period	<p><u>Para 8.2.10 & 8.3</u></p> <p>FIA submits that, only reasonable Fair Rate of Return (FRoR) to airport operators should be provided. It is observed that AERA has considered FRoR of 12.21%, which is the net of income tax return to the airport operator, for the Third Control Period. However, while such fixed/ assured return favours the service provider/airport operators, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs.</p> <p>Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.</p>



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		<p>Without prejudice to the above:</p> <ol style="list-style-type: none"> 1) In the present scenario any assured return on investment to any services providers like AIAL, in excess of three (3) % (including those on past orders), i.e., being at par with bank fixed deposits (i.e., return on investment after the income tax), will be onerous for the airlines. 2) And, in case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators.
7.	Inflation for the Third Control Period	<p>It may be noted that as per the Reserve bank of India's Monetary policy report dated 30th September 2022, the rate of inflation is expected to reach around 4.9% by the end of FY23 and the target provided by Central government to RBI is to fix the inflation rate at 4%.</p> <p>In view of that, it is requested to re-consider the rate of inflation at that benchmark or lower (i.e., between 4-4.9%).</p>
8.	Operation and Maintenance Expenditure for the Third Control Period	<p><u>Para 10.2.109 (Fuel Operating Expenses)</u></p> <p>FIA requests, that AERA should not permit outsourcing of fuel facility on a 'Volume linked fee basis' and instead it should be on "lowest cost model" through competitive bidding.</p> <p><u>Para 10.2.40 (Utility Expenses)</u></p> <p>AIAL is requested to constitute a Committee to verify the bills relating to Power expenses or submit a report on the same to AERA, if the same has already been conducted as part of Stakeholder comments / feedback.</p>



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		<p><u>Para 10.2.26 (Cargo Operating Expenses)</u> It is requested that the Customs Cost Recovery Charges for Customs staff posted at Air Cargo complexes, courier terminals etc. as prescribed by the Central Board of Excise and Customs needs to be levied on custodians, and not on the airlines.</p> <p><u>Para 10.1.5, 10.2.117 & Table 174 & 176</u></p> <p>While FIA appreciates, the study on Operations and maintenance expenses (O&M expenses) conducted in the Second Control Period and AERA's revision based on rationalisation of each line item on the submitted O&M expenses by AIAL for Third Control Period. However, FIA requests AERA to not provide any Y-o-Y increase for (i) all Repairs & Maintenance expenses, (ii) Operating expenses, (iii) and manpower expenses.</p> <p>We further submit that, while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not appear prudent considering the significant losses incurred by the aviation sector.</p>
9 .	Non-aeronautical revenue for the Third Control Period	<p>A: Non-Aeronautical Revenue</p> <p><u>Para 11.2.9 – 11.2.16</u></p> <p>It is observed, that the non-aeronautical revenues projected by AIAL is substantially low / conservative. It is requested that AIAL explores all avenues to maximise revenue from the utilisation from the expansion of terminal building for non-aeronautical purposes. As correctly observed by AERA in para 11.2.16, the non-aeronautical revenue projected by AIAL for Third Control Period is substantially lower as compared to other PPP airports. Accordingly, we request AERA to mandate AIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Ahmedabad airport.</p> <p>In this regard we also request AERA to kindly undertake detailed examination with the assistance of an</p>



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independent study to be conducted on the non-aeronautical revenue before the tariff determination of the Third Control Period.

Without prejudice to the above, we submit that increase in non-aeronautical revenue (“NAR”) is function of increase in terminal building area, passenger traffic growth, inflationary increase and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projected for the Third control period by AERA, it was noted by that a conservative approach has been taken by AERA.

AERA is requested to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires.

Further in para 11.2.16, AERA has remarked that NAR projected by AIAL is significantly less than PPP airports - which are generally not less than 50% of the total O&M expenses of the respective airports.

In view of the above, we request AERA to allow higher non-aeronautical revenues being not less than 50% of the projected O&M expenses for AIAL, as approved by AERA.

B: Royalty

Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.

It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.



Federation of Indian Airlines
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		<p>As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers.</p> <p>The rates of royalty at the airport are as high as up to 45.5% for some services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.</p> <p>In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items.</p>
10.	Taxation for the Third Control Period	<p>Tax Efficiencies:</p> <p>Airlines are now paying separately for FIC and ITP which was earlier part of ATF pricing. Such FIC and ITP along with GST thereon becomes part of ATF pricing and suffers from Excise Duty and Sales Tax. The additional burden of non-creditable taxes becomes sixty-four (64) % - seventy (70) % on the airlines.</p> <p>We would also like to urge AERA to devise methods or pass an order stating that FIC and ITP should be directly invoiced by fuel farm operator or the services providers to the airlines to avoid circuitous billing and for the sake of 'Ease of doing businesses and 'Transparency'. This will also help in avoiding unnecessary tax on tax to the tune of sixty-four (64) % - seventy (70) % sixty-seven (67) % to Airlines.</p>
11.	Aggregate Revenue Requirement (ARR) for the Third Control Period	<p><u>Para 14.2.3 to 14.2.7</u></p> <p>It is submitted that, AERA has noted the "AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. Whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control</p>



Federation of Indian Airlines
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		<p><i>Period and this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic.”</i></p> <p>Further, AERA has also observed and considered the “guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight” which is to achieve a balance between the interest of Airports and the Airport Users.</p> <p>This policy document categorically specifies “that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users”. This should be applied particularly during periods of economic difficulty (i.e., airlines incurring adverse financial impact post Covid-19).</p> <p>FIA appreciates that AERA in para 14.2.7 has considered to carry forward some portion of ARR to the next control period. However, FIA requests AERA that, keeping in view the adverse financial health of the airlines as mentioned in this letter, no tariff shall be increased for this control period.</p>
12.	<p>Proposed Annual Tariff Proposal (Tariff Rate Card) (<u>Refer Public Notice 15/2022-23</u>):</p>	<p>AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariff including UDF, which will be beneficial to passengers and airlines.</p> <p>It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of aviation sector. It is the stated vision of the government to make UDAN (“Ude Desh ka Aam Naagrik”) a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air.</p>



Federation of Indian Airlines
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In addition, we request AERA and AIAL to clarify the following:

1. Ref: User Development Fee (UDF)

We request AERA to clarify in the Tariff Order, the date and method of applicability of change in UDF charges, if any (as done through addendums for MAA & CCJ airport vide addendum to order no. 38/2021-22 dated 4th March 2022 and addendum to order no. 39/2021-22 dated 8th March 2022, respectively).

2. Ref: Notes to User Development Fee (UDF) Charges:

Collection Charges: We would like to invite AERA's attention to notes 2 of UDF charges in the Public notice 15/2022-23, wherein the rate of collection of UDF charges has been proposed to be reduced by AIAL from the current Rs. 5.00 per embarking/disembarking passenger to Rs. 2.50 per embarking/disembarking passenger. As airlines have not agreed to this reduction, we request AERA to consider the collection charges to be reverted to Rs. 5.00 embarking/disembarking passenger, in line with other Airports.

Also, there appears to be inconsistency in the proposed rates by AIAL (Rs. 2.5 in numeric form and Rs. FIVE in the words form), which kindly clarify.

3. Ref: Notes to User Development Fee (UDF) Charges:

We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against AIAL having received the 'undisputed' invoiced UDF amount within the applicable due date.

There is no mention of Collection charges for PSF in the MYTP submitted by the Airport operator. In the event the PSF is subsumed in the UDF, then airlines may kindly be eligible to claim collection charges at 2.5% of PSF per passenger, is being done currently. If PSF is not subsumed in the UDF, then current practices may kindly be continued.

4. CUTE, CUPPS, CUSS: As these are aeronautical revenues, we could neither find a proposal for the



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same in the MYTP submitted by the AIAL for the Third Control Period, nor any comment by AERA on regulating these charges in the CP for the Third Control Period. We would like to state that (i) the current prices are excessive; (ii) whatever bouquet of services is agreed between the AIAL and the service provider, this is enforced upon the airlines; (iii) the airlines have no say on the prices (unbundling), even if the airlines do not require all the services; and (iv) are in foreign currency at certain airports, making airlines vulnerable due to currency fluctuations. AERA is kindly requested to inform us the guidelines for price regulation on the same.

5. Table on Landing Charges from 1st February 2023 to 31st March 2026 (International Flights)

Query: Whether rates will be charged in INR or US\$ for international flight?

6. Parking Charges effective from 1st February 2023 to 31st March 2026

“3.Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations Control Centre. (AOCC).”

Comment: As per standard practice, 15mins time each after touchdown and before takeoff of aircraft is provided as an exemption. We would want to propose the same industry practice to be implemented here.

7. Parking Charges effective from 1st February 2023 to 31st March 2026

“6.In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in-line with the governing tariff order.

Query: Please clarify which governing tariff order is being mentioned above. Please provide the corresponding rate card.



Federation of Indian Airlines
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		<p>8. Parking Charges effective from 1st April 2025 to 31st March 2026</p> <p><i>“4. For calculating chargeable parking time, part of an hour shall be rounded off to the next hour”</i></p> <p>It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to nearest hour”</p> <p>9. UDF effective from 1st February 2023 to 31st March 2026</p> <p>(I) Query: Will the above UDF effective date shall be considered as Travel date or Sale date or Both-travel and sale date?</p> <p>(III) Comment to No. 2 of Collection Charges: Please note that the same is paid by airport operator to airlines separately after airlines raises an invoice against the same as a standard industry practice. We request the same practice is applied.</p> <p>10. Variable Tariff Plan for Scheduled Passenger Airlines</p> <p>1. “New Route: A flight to a new destination that is currently unserved from Ahmedabad by any airline already operating at Ahmedabad. (Destination must be unserved for the previous 36 months)”</p> <p>Query: We understand “Unserved” means no scheduled operations. Please confirm.</p> <p>2. In the table of VTP Applicable Rates for Scheduled Passenger Airlines, <i>Rate per MTOW (MTOW >100 MT) appears to be repeated, with no additional conditions. Please clarify the same.</i></p> <p>11. AERA to review our comment at Sr. No. 4 (Traffic) above.</p>
13.	Any Other Comment	<u>Shrinkage in Control Period</u>



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submits that the Hon'ble TDSAT Order dated 16 December, 2020 for BIAL stated as follows: *'100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed...'*

In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order for AIAL - Third Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2021.