



31 July 2023

Director Policy & Statistics,  
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AERA Building, Administrative Complex  
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Via email: [director-ps@aera.gov.in](mailto:director-ps@aera.gov.in), [rajan.gupta1@aera.gov.in](mailto:rajan.gupta1@aera.gov.in) [secretary@aera.gov.in](mailto:secretary@aera.gov.in)

Dear Sir,

**IATA COMMENTS ON AERA'S CONSULTATION PAPER FOR THE DETERMINATION OF AERONAUTICAL TARIFFS DETERMINATION OF AERONAUTICAL TARIFF FOR SRINAGAR INTERNATIONAL AIRPORT (SXR) FOR THE THIRD CONTROL PERIOD (01.04.2021 - 31.03.2026).**

The International Air Transport Association (IATA) is the trade association for the world's airlines, representing some 300 airlines or 83% of the world's air traffic. Many of our member airlines operate in the Indian market including Air India, IndiGo, SpiceJet and Vistara. We support many areas of aviation activity and help formulate industry policy on critical aviation issues.

**O&M and CAPEX**

IATA commends AERA for the level of scrutiny of the proposal by AAI for Srinagar Airport in key areas such as O&M expenses and capital expenses with the common aim to ensure that they are at optimal levels without unduly burdening the airport users.

**Proposed increase in UDF**

The fact that the airport is a Civil Enclave airport, which has limitations on its operations; and has had no capex enhancement; and no resultant increase in passenger facilities; we believe it would be unfair for passengers to bear the burden arising from a significant increase in UDF. Additionally, the under-recovery of the First & Second Control Period should not be exclusively funded by passengers in the current control period. Thus, whether by carry-forward of the shortfall to a subsequent Control Period; or by way of restraining the increase that has been sought, we would support AERA's efforts to prevent burdening of airport users with excessive tariffs.

### **True-up recovery**

We have noted that significant true-up of the under-recoveries from the First control period amounting to Rs. 177.1cr and subsequently from the Second control period amounting to Rs. 383.76 resulted in a significant cost impact in the Third control period.

- Whilst we understand the current regulatory approach of “guaranteeing” a return and the true-up mechanism, it is important to note that AAI as the airport operator should assume some of the deficits/under-recoveries. The present arrangement leads to airport operators recouping their losses.
- Given the strategic national role of the Srinagar airport, we suggest that there should be a joint funding model i.e. Government/AAI + airport users.

We have also noted the details in the CP on how Srinagar airport was declared a major airport in June 2015; thereafter becoming a non-major airport in 2019 through the change in the definition of major airport (which was amended to 3.5 Mn Pax per Annum); and then based on MoCA Order of Nov 2021, once again being notified as a major airport. We agree with the decision to exclude the Under recovery of 2020-21, as Srinagar Airport was a non-Major airport during 2020-21; thus, protecting the passenger interest arising on account of the NPV of the Under-recovery of FY 2020-21.

### **AUCC protocol**

We also commend AERA for highlighting that AUCC is yet to be conducted by AAI. It is essential that major capex such as the expansion of the Passenger Terminal Building and its design must be reviewed and consulted with stakeholders, and this shouldn't be a one-off consultation. Rather, the consultation should take into consideration the level of service, the concept of operations and adoption of technology etc. and the overall business case for the investments. We request that the AUCC protocol is adhered to fully by AAI and that consultations with stakeholders are held to review the shortlisted options (and not only a single option) and their business cases. This should also include the review of the airport master plan, phasing of various investments etc.

### **Service Quality Levels**

We also call for AAI to adhere to AERA's guidelines in relation to the quality-of-service parameters and benchmarks. The guideline has very clear requirements on both subjective and objective parameters. While most regulated airports have complied with the subjective measurement requirement by conducting the ASQ surveys, we don't have visibility if and how the objective measurement requirement per AERA's guideline is being complied with. The guideline clearly defined the measures and benchmarks/targets with details of the rebate mechanism if the expected service levels are not met. We call on AERA to ensure adherence to these requirements.



### **Capitalization of Non-operational assets**

We support AERA in deferring the capitalization of non-operational assets in 3<sup>rd</sup> control period such as the expansion of the Terminal Building and CISF barracks. Affordability must be considered with a greater focus on optimizing existing infrastructure and processes. This can be better achieved/delivered with participation from all stakeholders in an inclusive manner.

### **Use of ASF**

We remain concerned about the lack of transparency since the introduction of the Aviation Security Fee in 2018/19. Security-related expenses previously funded by the airport operators from (a portion) of the PSF-Security should be funded accordingly by the ASF e.g. CISF barracks. In the case of Srinagar, if this facility is constructed on AAI's land rather than BSF's land, this will likely add additional cost to airport users (inclusion in RAB, depreciation cost, returns etc.). We request clarity and that AERA considers this aspect in its determination.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Amitabh Khosla".

Amitabh KHOSLA  
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cc Richard Tan, IATA Regional Manager Operations, Safety and Security – Asia Pacific