Federation of Indian Airlines
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Website: www.fiaindia.in

URGENT &
IMPORTANT

18 July 2024

To,
The Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi- 110 003.

Kind Attention – Shri. S.K.G. Rahate, Ji

Sub: FIA Response to the AERA CP. No. 02/2024-25 dated 18th June 2024 on determination of Aeronautical Tariff for Shirdi International Airport, Shirdi for the First Control Period (01.04.2022 – 31.03.2027)

Ref: *AERA stakeholder consultation (virtual) meeting dated 05th July, 2024.*

Dear Sir,

We, the Federation of Indian Airlines ("**FIA**") (on behalf of our members, IndiGo, SpiceJet, Go First and Air India) write in response to the Consultation Paper No. 02/2024-25 issued by the Airports Economic Regulatory Authority of India ("**AERA**" or "**Authority**") in the matter of determination of Aeronautical Tariff for Shirdi International Airport, Shirdi ('**SAG'**) for the First Control Period (01.04.2022 – 31.03.2027) ('**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 conducting the Stakeholder consultation meeting on 05th July 2024.

Sir, FIA submits that, according to the Investment Information and Credit rating Agency of India ('ICRA') the industry is estimated to report a net loss of INR 5,000-6,000 crores in FY24 and FY25. However, it may be noted that, while the aviation industry may have reached stability, it has not yet fully recovered from the strong financial headwinds caused by many factors such as the hostile financial environment of the economy, geo-political instability, fallout from the devastating COVID-19 pandemic, significant global supply chain issues, increased Aviation Turbine Fuel (ATF) prices, limited government financial support, limited capacity of customer to pay, and foreign exchange fluctuations etc.

It may be noted that, despite the gradual improvement in passenger traffic the elevated ATF prices and depreciation of INR will have a major bearing on airlines. As the airline's cost is rendered due to ATF and other operational costs which are majorly denominated in dollar terms.

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In view of the above, it is submitted that this Public Notice No.07/2024-25 dated 26th June 2024 to the CP, proposes a significant increase in the aeronautical tariffs at SAG – as mentioned under **Annex – A**, AERA is kindly requested to take note of our observations mentioned therein.

In this regard, we further humbly request AERA to not implement any increase in the aeronautical tariff in the First Control Period and defer any increase in the same to subsequent control period, if any, given the adverse financial impact on airlines as discussed above.

Without prejudice to the above, we request AERA to kindly note our detailed submissions as mentioned under, **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.

Yours Truly,

For and on behalf of the Federation of Indian Airlines,

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 SAG

TABLE – A

Landing Charges: (Refer Public Notice no 07/2024-25– Annexure A) (In Rs.)

Particulars	Unit	Tariff Proposed by Airport Operator			
	MT	Existing Rates	FY 2024 25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026-27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)
LANDING CHARGES	MT	LANDING CHARGES			
Domestic (Inr/MT)		-	-	-	-
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	5,083	8,445	8,445	10,136
Variance % from existing	Q-400	0%	66%	66%	99%
Variance % from YoY		0%	66%	0%	20%
Eg: Impact on B737-800 (AUW 79016) (Rs.)	79 MT	26,192	31,426	31,426	37,723
Variance % from existing	B737-800	0%	20%	20%	44%
Variance % from YoY		0%	20%	0%	20%
International (Inr/MT)		-	-	-	-
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	-	-	-	10,505
B737-800 (AUW 79016) (Rs.)	79 MT	-	-	-	29762

TABLE – B

Parking Charges: (Refer Public Notice no 07/2024-25– Annexure A) (In Rs.)

Particulars	Unit		Tariff Proposed by Airport Operator			
	MT	RATES W.E.F 1ST oct 2021 TO 31.03.2023	FY 2023-24 (Tariff w.e.f. 16.06.2023 to 31.03.2024) Existing Rates	FY 2024-25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026-27 (Tariff w.e.f. 01.04.2026to 31.03.2027)
PARKING Charge	INR/Hr /MT	PARKING CHARGES - Per Hr. per MT				
DOMESTIC (INR Per HOUR /MT)(for 1st 2 chargeable hrs)			-	-	-	-
Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	63	78	90	90	120
Variance % from existing	Q-400		24%	15%	15%	54%
Variance % from YoY			24%	15%	0%	33%
Eg: Impact on B737-800 (AUW 79016) (Rs.)	79 MT	299	299	354	354	433
Variance % from existing	B737-800		0%	18%	18%	45%
Variance % from YoY			0%	18%	0%	22%

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TABLE C

UDF Charges: (Refer Public Notice no 07/2024-25– Annexure A) (In Rs.)

Particulars	Unit		Tariff Proposed by Airport Operator			
	MT	RATES W.E.F 1ST oct 2021 TO 31.03.2023	FY 2023-24 (Tariff w.e.f. 01.04.2023 to 31.03.2024) Existing Rates	FY 2024-25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026-27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)
UDF	**Per Embarking**	**UDF**				
DOMESTIC	Inr/Embarking pax	**600**	**600**	**625**	**625**	**700**
Variance % from existing			0%	4%	4%	17%
Variance from YOY			0%	317%	0%	12%
DOMESTIC	Inr/DisEmbarking pax	**0**	**0**	**225**	**225**	**250**
Variance % from existing				225%	225%	250%
Variance from YOY				225%	0%	11%
INTERNATIONAL	Inr/Embarking pax	**600**	**600**	**625**	**625**	**1400**
Variance % from existing			0%	4%	4%	133%
DOMESTIC	Inr/DisEmbarking pax	**0**	**0**	**225**	**225**	**500**
Variance % from existing			#DIV/0!	225%	0%	122%

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

1. Tables A: MADC has proposed an increase in the Landing Charges (Domestic) on Q-400 (80 & above seater) & on B-737-800 approximately increasing from 20% to 99 % from existing charges.
2. Tables B: MADC has proposed to increase the Parking Charges (Domestic) on Q-400 (80 & above seater) approximately increase between 15% to 54 % from existing charges; and on B-737-800 approximately increase between 18 % to 45% from existing charges.
3. Table C: MADC has proposed an increase in the UDF of between 4% to 17% for Domestic Embarking Passengers.
4. Table C: MADC has proposed UDF for Disembarking passengers for both Domestic and International Passengers.

It is in the interest of all the stakeholders that the proposed tariffs as noted above may not be implemented as the proposals are excessive.

AERA is requested to reconsider the proposed tariff structure in view of the points mentioned above, as also in consideration of 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 First Control Period. In addition, without prejudice to the above, we request AERA to kindly note FIA's submissions to the AERA C.P. No. 02/2024-25 on determination of Aeronautical Tariff for Shirdi International Airport, Shirdi ('**SAG**') for the First Control Period (01.04.2022 – 31.03.2027)

S. No.	AERA's Proposal under each Chapter	Comments
1.	Background, Framework of tariff determination	**Para 2.6** It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 ("AERA Act"), under sub-section (a), *"aeronautical services means any services provided -* *(i)For navigation, surveillance and supportive communication thereto for air traffic management..."* 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 the corresponding revenue and revise the tariff card.
2.	Methodology for Tariff Determination – Hybrid Till Vs. Single Till	**Para 2.1.4** It is observed that AERA have determined tariffs using the 30% Hybrid Till model including true ups, as applicable. FIA has advocated the application of Single Till model across the airports in India and submits that AERA should adopt Single Till across all control periods, including by way of true up. In a Shared/Hybrid till model, the airport operator has the incentive to skew the asset base towards aero-assets, thereby having a higher capital base for calculation of return offered by the regulator.
3.	Pre FCP Period (FY-2017-18 to FCP)	**Para 3.7.5 & 3.7.6** It is submitted that: (a) Fair Rate of Return (FRoR) is computed by AERA based on the cost of equity and cost of debt. However, in this case, SAG is primarily funded by Govt. of Maharashtra and there is no cost of debt, hence the rationale for providing such FRoR appears unclear, without any study at 9%. (b) We do appreciate that AERA have tried to rationalise the same, however we request AERA to consider an independent study for a new airport which is based on low traffic base (i.e., much lower than 3.5 million passenger throughput even at the end of First Control Period (refer para 3.7.5 (i)), before providing any such assured returns. (c) It is further submitted that, 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.

		Para 2.5.2 Without prejudice to the above: Further, FIA wishes to draw AERA's attention that any delay in submitting the Multi Year Tariff Plan by the airport operator should be taken into account, as delay in tariff determination process will lead to increase in adjusted deemed initial RAB.
4.	Traffic for the First Control Period	**Para 4.2.16 and Table 56** It is hereby 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 Shirdi airport and any deductions from billable traffic will adversely impact the computation of non-aeronautical revenue. FIA requests AERA to reconsider the same, in line with the AERA's consistent approach with all Major Airports. In view of the above, FIA proposes that the exempted billable ATM/passenger traffic as proposed by AERA in their tariff card should not be accepted. **Para 4.2.26 and Table 62** We would also like to draw the attention of the Authority, that the trends in the recent post pandemic times may not be a reasonable benchmark, whether be it of passengers or traffic, as economic factors such as inflation or market demand / prices may not continue in the same rate or trend in the future, since the recent post pandemic trends are due to unusual factors such as the COVID-19, revenge tourism, Geo-political causes, recent financial meltdown of banks in the USA, etc. In view of the above-mentioned factors, we request AERA to kindly take the same into consideration (and appoint independent consultants to evaluate the same, if deemed fit) while finalising the projected ATM and passengers.
5.	Capital Expenditure, Regulatory Asset Base (RAB) and Depreciation for the First Control Period	FIA submits that the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by capital expenditure efficiency studies, which AERA is requested to conduct. **Para 5.3.3, 5.3. 71, 5.3.72 Table (84) (85)** We request that AERA apply the normative norms for capex projects as mentioned under AERA Order No. 7/2016-17 dated 13 June, 2016 in order to maintain the overall cost control and efficiencies in capex projects. Further in para 5.3.71, AERA has considered INR 1, 35,429 per sqm for the terminal building. In this regard, it is submitted that in the recent orders for FY22, AERA has considered INR 1,00,000 or above per sqm, and with this increase there appears to be an incremental normative rate trend for capex projects. However, it does not appear to be backed by any study conducted by AERA for this control period or a justifiable rationale.

We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses, such that stakeholders, including passengers, do not pay for services/ facilities which are not being availed by the stakeholders or passengers.

Para 5.3.3
FIA submits that as observed by AERA, no AUCC was conducted by SAG prior to capitalising such fixed assets capex projects. However, we do appreciate that SAG has now conducted the AUCC meeting for the on-going projects. However, we do recommend that for future Control Periods, the AERA guidelines for AUCC may be adhered to and any fixed assets may be evaluated by all relevant stakeholders.

Para 5.1.4
We note that AERA has conducted an in-depth analysis of the submissions made by the Airport operator by an independent consultant, which is appreciated.

However, it is requested that, 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 a few proposed Capex projects from the First Control Period to the Second Control Period.

We urge and request AERA to conduct an independent study on efficient and reasonableness of Capex at SAG.

Para 5.3.78
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 Second Control Period.

Para 3.8.9 & 9.2.9

Para 3.8.9
FIA submits that, AERA have considered the Terminal Building Ratio ('TBLR') of 95:5 for 1st November 2021 to 31st March 2022 and for First Control Period.

However, it is important to recognize the significance of Shirdi as a prominent pilgrimage destination and a vital hub in Maharashtra. With its revered status and the constant influx of devotees from around the world, Shirdi plays a crucial role in spiritual tourism. Its strategic location and the growth of Shirdi Airport further highlight its potential for increased non-aeronautical revenue. The current non-aeronautical ratio proposed by AERA may not fully reflect the extensive economic opportunities Shirdi presents as a burgeoning pilgrimage centre.

		Further, as observed by AERA itself, in comparison to the other airports such as DIAL, MIAL, BIAL etc., the TBLR was considered above 10%, as per the IMG norms, which are applied and adhered by AERA for all other airports. In view of the above, we request AERA to kindly allot the best possible ratio towards NAR while keeping a consistent approach of applying IMG norms. Accordingly, we request AERA to consider the highest possible non-aeronautical allocation in the case of SAG and/or request to conduct an independent study for the same. We further recommend that SAG should utilize such aspects and space towards increasing their non-aeronautical activities. **Para 3.11.11 & 5.5.2, Table 43 and 92** While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the '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. Hence, in view of that AERA should conduct an independent study on depreciation, as the current depreciation rationale does not provide clarity on the depreciation applied.
6	Fair Rate of Return (FRoR) for the First Control Period	**Para 7.2.4** 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 9%, which is based on cost of equity and cost of debt to the airport operator, for the First Control Period. However, while such fixed/ assured return favours the service provider/airport operators, this also creates an imbalance against the airlines, which are already suffering from huge losses and are bearing 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. **Without prejudice to the above, we request AERA to consider:**

		1) In the present scenario any assured return on investment to any service providers like SAG, in excess of five (5) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after tax based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks. **2)** consider the fact that airport industry in India has been established, hence the risk is lower as this is a cost-plus margin business; and **3)** to review the financial closure details, debt to equity ratio based on actual weighted average rather than a notional percentage. **4)** 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 the 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 First Control Period	**<u>Para 8.2.2</u>** FIA submits that as per a report published by the Ministry of Finance dated 8th December 2023, the WPI inflation rate is 5%. However, we have noted that the proposed inflation rate by AERA is 3.7 %. This proposed rate aligns closely with the current economic conditions and reflects a prudent approach towards the tariff adjustments.
8.	Operation and Maintenance Expenditure for the First Control Period	**<u>Para 9.2.46 (Power Expenses)</u>** SAG 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. **<u>Para 9.2.74 Table 126</u>** FIA respectfully urges AERA to further explore avenues to minimizing escalations across the expense categories. This action would significantly enhance our ability to manage overall costs more effectively. It is further submitted that the current estimated O&M expenses necessitate additional scrutiny through an Independent Study in this Control Period. This measure is vital to prevent deviations from being carried forward to the Second Control Period, doing so would help avoid over recovery of ARR in the control period under the guise of True up. FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, MIAL, BIAL that while truing up the O&M in subsequent control periods, it always leads to over-estimation which has been observed leading to higher tariff in past control periods.

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		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. In view of the aforementioned reasons, we request AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the First Control Period.
9.	Non-aeronautical revenue for the First Control Period	**A: Non-Aeronautical Revenue** **Para 10.2.40** It is observed that the non-aeronautical revenues projected by SAG are significantly low / conservative. It is requested that SAG explores all avenues to maximise revenue from the utilisation from the NITB for non-aeronautical purposes. The non-aeronautical revenue projected by SAG for First Control Period is substantially lower as compared to other airports and from its projected O&M expenses. Accordingly, we request AERA to mandate SAG to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Shirdi airport. In this regard we also request AERA to kindly undertake detailed examination with the assistance of an independent study to be conducted on the Non-Aeronautical Revenue (‘**NAR’**) before the tariff determination of the First Control Period. Without prejudice to the above, we submit that increase in NAR is a 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 First control period by AERA, it was noted that a conservative approach has been taken by AERA. It may be noted that, in other Airports, while truing up the NAR in subsequent control periods have always been the under-estimation and leads to higher tariff in the control periods. FIA submits that Shirdi is widely recognized as one of the most popular religious destinations and pilgrimage globally. With airlines being the preferred mode of travel, the city’s air traffic is expected to increase drastically. **Accordingly, we request AERA:** **a)** To mandate SAG to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at SAG **b)** To kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the First Control Period.

		c) To further determine and re-assess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Shirdi has to increase their NAR in accordance with the submissions above. 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. 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 SAG, as approved by AERA for other airports.
10.	Aggregate Revenue Requirement (ARR) for the Third Control Period	<u>**Para 13.2**</u> 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."* 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). FIA requests AERA that, keeping in view the adverse financial health of the airlines as mentioned in this letter, no higher tariff shall be fixed for this control period. <u>**Para 13.2.5**</u> The tariffs on the AFS cargo should be significantly lesser than the tariff levied on General cargo. FIA submits that: **1.** AFS should have 50% or lesser rates from the Terminal. **2.** Processing of such Cargo may be considered for direct access to the Aircraft, thereby avoiding the charges levied by Custodian. **3.** Subsidize and incentivize a certain % of cargo tonnage processed out of AFS for better sustainability to Airlines, this may boost further AFS stations in terms of revenue as well.
11.	Proposed Annual Tariff Proposal (Tariff Rate Card) <u>(Refer Public Notice 7/2024-25):</u>	In accordance with the preamble of the National Civil Aviation Policy, which envisages to make air travel affordable and sustainable, 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 tariffs including UDF, which will be beneficial to passengers and airlines.

		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 the 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. In addition, we request AERA and SAG to clarify the following: **1. Ref: Notes to User Development Fee (UDF) Charges:** **<u>Collection Charges</u>:** We would like to invite AERA's attention to notes 1 of UDF charges in the Public notice 07/2024-25, wherein the rate of collection of UDF charges is not mentioned by MADC. We request AERA to consider the collection charges at Rs. 5.00 embarking and disembarking passengers. Collection charges also need to be published for arrival Passengers as well. Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons (example - 5% inflationary / administrative increase each year), the collection charges may kindly be increased to keep pace with the proposed increase in UDF, as airlines only get a fixed rate, which results in disincentivizing the airlines. **a) <u>Ref: Notes to User Development Fee (UDF) Charges</u>:** We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against MADC having received the 'undisputed' invoiced UDF amount within the applicable due date. **i.** <u>Disembarkation</u>: - MADC has also proposed UDF charges on disembarkation as well at the Airport. AERA is requested to kindly review this trend as this will be discouraging for passengers to take flights to Shirdi because of the increase in total cost to fly to Shirdi. Hence, it is submitted that the Authority keeping in view the principles of efficiency and reasonableness should not allow the UDF collection charges on disembarking passengers as proposed in the CP. **ii.** Also, considering that UDF has also been levied on disembarking passengers, clarification w.r.t the exemption categories be extended to disembarking passengers as well is sought. **iii.** <u>UDF effective from 1st September 2024 to 31st March 2027: -</u> Comment to No. 1. of Collection Charges: Please note that the same is paid by the airport operator to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied.

		iv. 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, which is being done currently. If PSF is not subsumed in the UDF, then current practices may kindly be continued. **v.** It is requested to define the applicability or exemption of any of the tariff charges pertaining to RCS Flights which have been excluded. **2.** UDF for International Passenger is not available in the tariff card for FY 2024-25 and FY 2025-26. Please clarify w.r.t UDF applicability in both below scenarios: • Passenger embarking from SAG on a domestic flight and then a connecting flight to international destination. • Passenger disembarking in SAG from a domestic flight, however he originated his journey from an international destination. **3.** Landing charges: a) AERA has proposed to increase the Landing Charges for all flights between 75% to 111% approx.- from the existing charges. We request AERA to kindly consider rationalising the same.
12.	Any Other Comment	**A. <u>Shrinkage in Control Period</u>** FIA 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 SAG - FIRST Control Period, will now be issued after the commencement of the Control Period i.e., 1 April 2022. We submit that cost of operations for the airlines are increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment. At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years. While economies of scale are a big factor for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge benefits for the airport operators as well due to economies of scale.

Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period).

It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business, but also force airlines to pay tax on tax for availing services though multi-layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified.

B: Royalty

Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers have 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.

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.

The rates of royalty at the airport are as high as up to 36.3% 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.

In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items.