**Federation of Indian Airlines**
**E-166, Upper Ground Floor,**
**Kalkaji,**
**New Delhi - 110019.**
**Website: www.fiaindia.in**

***URGENT & IMPORTANT***

**21 August 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. 03/2024-25 dated 22nd July 2024 on determination of Aeronautical Tariff for Coimbatore International Airport, Coimbatore for the Second Control Period (01.04.2023 – 31.03.2028)

**Ref:** *AERA stakeholder consultation (virtual) meeting dated 21st August, 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. 03/2024-25 issued by the Airports Economic Regulatory Authority of India ("**AERA**" or "**Authority**") in the matter of determination of Aeronautical Tariff for Coimbatore International Airport, Coimbatore ('**CJB'**) for the Second Control Period (01.04.2023 – 31.03.2028) ('**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 21st August 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 COVD-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.

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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.

The CP proposes a significant increase in the aeronautical tariffs of CJB by AERA – as mentioned under **Annex – A**, AERA is kindly requested to take note of our observations mentioned therein.

We further wish to state that given the terminal capacity challenges which are affecting efficiency of airlines and the overall passenger experience, there has been no mention of any plans to address capacity challenges in the second control period, neither enhancements nor plans for an NITB at CJB.

In this regard, we humbly request that till such a plan has been finalised by Coimbatore International Airport, AERA must not implement any increase in the aeronautical tariff in the Second 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**
+91-9899423302

Copy to:
Director (P&S Tariff), Airports Economic Regulatory Authority of India.

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E-166, Upper Ground Floor,
Kalkaji,
New Delhi - 110019.
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**Annex – A - Observations on proposed Tariff Card (Proposed by SAG**

**TABLE – A**

**Landing Charges:** (Refer– Annexure 2 of the CP) (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) | FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028) |
| **LANDING CHARGES** | **Per MT** | **LANDING CHARGES** | | | | |
| **Domestic (Inr/MT)** | | - | - | - | - | |
| **Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)** | 30 MT | 6815 | 8805.66 | 8805.66 | 8805.66 | 8805.66 |
| **Variance % from existing** | Q-400 | 0% | 29% | 29% | 29% | 29% |
| **Variance % from YoY** | | 0% | 29% | 0% | 0% | 0% |
| **Eg: Impact on B737-800 (AUW 79016) (Rs.)** | 79 MT | 25562 | 33028.77 | 33028.77 | 33028.77 | 33028.77 |
| **Variance % from existing** | B737-800 | 0% | 29% | 29% | 29% | 29% |
| **Variance % from YoY** | | 0% | 29% | 0% | 0% | 0% |
| **International (Inr/MT)** | | | | | | |
| **Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)** | 30 MT | 10385 | 13418.46 | 13418.46 | 13418.46 | 13418.46 |
| **Variance % from existing** | Q-400 | | 29% | 29% | 29% | 29% |
| **Variance % from YoY** | | | 29% | 0% | 0% | 0% |
| **B737-800 (AUW 79016) (Rs.)** | 79 MT | 40720 | 52614.44 | 52614.44 | 52614.44 | 52614.44 |
| **Variance % from existing** | B737-800 | | 29% | 29% | 29% | 29% |
| **Variance % from YoY** | | | 29% | 0% | 0% | 0% |

**TABLE – B**

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**Landing Charges:** (Refer– Annexure 2 of the CP) (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) | FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028) |
| **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 T | 106.86 | 137.91 | 137.91 | 137.91 | 137.91 |
| **Variance % from existing** | Q-400 | | 29% | 29% | 29% | 29% |
| **Eg: Impact on B737-800 (AUW 79016) (Rs.)** | 79 MT | 457.85 | 591.49 | 591.49 | 591.49 | 591.49 |
| **Variance % from existing** | B737-800 | | 29% | 29% | 29% | 29% |

TABLE C

FEDERATION OF INDIAN AIRLINES

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**UDF Charges:**

**Landing Charges:** (Refer– Annexure 2 of the CP) (In Rs.)

| Particulars | Unit | Tariff Proposed by Airport Operator | | | | |
|---|---|---|---|---|---|---|
| | MT | Existing Rates | FY 2024-25 (Tariff w.e.f. 01.10.2024 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) | FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028) |
| **UDF** | **Per Embarking** | **UDF** | | | | |
| **DOMESTIC** | Inr/Embarking pax | **350** | **595** | **595** | **595** | **595** |
| **Variance % from existing** | | 0% | 70% | 70% | 70% | 70% |
| **Variance from YOY** | | 0% | 70% | 0% | 0% | 0% |
| **INTERNATIONAL** | Inr/Embarking pax | **450** | **810** | **810** | **810** | **810** |
| **Variance % from existing** | | 0% | 80% | 80% | 80% | 80% |
| **Variance from YOY** | | 0% | 80% | 0% | 0% | 0% |

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

1. Tables A: AERA has proposed an increase in the Landing Charges (Domestic & International) on Q-400 (80 & above seater) & on B-737-800 approximately increase by 29 % from existing charges.

2. Tables B: AERA has proposed to increase the Parking Charges (Domestic & International) on Q-400 (80 & above seater) and on B-737-800 approximately to increase by 29% from existing charges.

3. Table C: AERA has proposed an increase in the UDF of by 70 % for Domestic Embarking Passenger and 80% for International Embarking Passengers from existing charges.

**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.**

**Annex - B**

FEDERATION OF INDIAN AIRLINES

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We humbly request AERA to not implement any increase in the aeronautical tariff in the Second Control Period. In addition, without prejudice to the above, we request AERA to kindly note FIA's submissions to the AERA C.P. No. 03/2024-25 on determination of Aeronautical Tariff for Coimbatore International Airport, Coimbatore ('**CJB**') for the Second Control Period (01.04.2023 – 31.03.2028)

| S. No. | AERA's Proposal under each Chapter | Comments |
|---|---|---|
| 1. | Background, Framework of tariff determination | **Para 3.3.1**<br>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 -*<br>*(i)For navigation, surveillance and supportive communication thereto for air traffic management..."*<br><br>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 3.1.2**<br>It is observed that AERA have determined tariffs using the 30% Hybrid Till model including true ups, as applicable.<br><br>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.<br><br>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. | True up for the FCP | **Para 3.7.5 & 3.7.6**<br>It is submitted that:<br><br>(a) We observe that the Fair Rate of Return (FRoR) of 13.71% provided to the Airport Authority of India ("AAI") is higher in comparison to some of the Airports such as Chennai and Pune. Without prejudice to above, there appears no rationale to provide higher return to AAI for CJB and accordingly AERA may reduce FRoR suitably.<br><br>(b) We do appreciate that AERA have tried to rationalise the same, however we request AERA to consider an independent study for the |

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| | | same as AAI has not factored any debt as part of the the MYTP submission for FRoR and it was shared later on via email.<br><br>**Para 4.6.12 (b) point 3**<br>We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the NPV of the Under-recovery or due to interest/penalties paid to Government of India at both CHQ and RHQ levels due to various lapses/delays on the part of the Airport Operator, or due to deficiency to recover the ARR on account of higher O&M expenses projected for the Second Control Period caused due to under-recovery pertaining to the First Control Period.<br><br>**Para 4.4.14**<br>It is noted that the New Terminal Building, which was proposed and approved in the First Control period was not undertaken. Additionally, there is no mention of this project for the next Control Period as well.<br><br>As observed by AERA in para 4.4.3bof the CP, that about 55.08% (118.31 Cr) of the approved capital expenditure was not utilized by AAI in the First Control Period, which was part of the computed ARR at that time. We request AERA to consider implementing a 1% adjustment for the delay in this case as the Airport Operator did not implement/complete the project within the stipulated time.<br><br>**Para 2.4.1**<br>Without prejudice to the above:<br><br>1. 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 Second Control Period | **Para 5.2.10 and Table 46**<br>While we appreciate that AERA has considered the traffic forecast data published by ACI and IATA( refer para 5.2.5 and 5.2.6 and 5.2.7), further, we understand that, AERA itself have observed the actual traffic from AAI's website for FY23-24 has surpassed pre-covid-19 levels and exhibit a positive trend. Accordingly, we request AERA to kindly conduct an independent study, which may also include demand drivers that may not have been part of the report issued by IATA and ACI India.<br>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, |

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| | | 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, however there have been certain increase in the load factors, post recovery of COVID-19 period.<br><br>Hence, we request that Authority may 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 Second 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.<br><br>**<u>Para 6.2</u>**<br>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.<br><br>FIA notes that the normative rate for capex projects is not specified in the consultation paper (CP). We submit that there should not be any incremental normative rate for capex projects.<br><br>We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses. This is crucial to prevent stakeholders, including passengers, from bearing costs for services or facilities that are not utilized or availed by stakeholders.<br><br>**<u>Para 6.2.2</u>**<br>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.<br><br>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.<br><br>**<u>Para 6.2.25</u>** |

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| | | 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 instead of Third Control Period.<br><br>**Para 9.2.4**<br>FIA submits that, AERA have considered the Terminal Building Ratio ('TBLR') of 90:10 for the Second Control Period.<br><br>However, it is important to recognize the significance of Coimbatore as a prominent destination and a vital hub in Tamil Nadu. The city is home to the Isha Foundation, which is renowned for its large-scale spiritual and wellness programs, which attracts a significant number of domestic and international visitors. Additionally, Coimbatore's thriving textile industry, educational institutions and proximity to major tourist attractions such as the Nilgiri hills further enhanced its appeal.<br><br>With its renowned status and the steady influx of tourists, business travellers, and spiritual seekers, Coimbatore plays a crucial role in tourism. Its strategic location and the growth of Coimbatore Airport further underscore its potential for increased non-aeronautical revenue. The current non-aeronautical ratio proposed by AERA may not fully capture the extensive economic opportunities presented by Coimbatore's diverse industries, educational institutions and the significant impact of institutions like the Isha foundations making it a prominent tourism and business centre.<br><br>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.<br><br>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 CJB and/or request to conduct and independent study for the same. We further recommend that AAI should utilize such aspects and space towards increasing their non-aeronautical activities.<br><br>**Para 6.3.2, Table 57** |

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| | | 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.<br><br>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 Second Control Period | **<u>Para 7.2.8 (Table 64)</u>**<br>FIA submits that only reasonable Fair Rate of Return (FRoR) to airport operators should be provided.<br><br>It is observed that AERA has considered the FRoR at 13.71%, which is based on cost of equity and cost of debt to the airport operator, for the Second Control Period. It may be noted, that AERA in the recent times, have approved lower FRoR for other AAI Airports (Third Control Period), such as Chennai (11.98%) and Pune (11.68%) on the same cost of equity and cost of debt i.e., 14% and 6.21%.<br><br>Further, it is to be noted, that 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.<br><br>Without prejudice to the above, we request AERA to consider:<br><br>1) In the present scenario any assured return on investment to any service providers like AAI, 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. |

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| | | 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<br><br>3) to review the financial closure details, debt to equity ratio based on actual weighted average rather than a notional percentage.<br><br>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. This is particularly highlighted since other AAI airports like Chennai, Kolkata and Pune have a much lower FRoR. |
| 7. | Inflation for the Second Control Period | **Para 8.2.2**<br>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 Second Control Period | **Para 9.2.25 (Power Charges)**<br>AAI 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.<br><br>**Para 9.2.28 Table 73**<br>While we appreciate the rationalisation by AERA of each line item on the submitted O&M expenses by AAI, however, at the same time we request AERA not to provide such a huge jump in O&M expenses.<br><br>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.<br><br>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. |

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| | | 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.<br><br>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.<br><br>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 Second Control Period. |
| 9. | Non-aeronautical revenue for the Second Control Period | **Para 10.2.10 (Table 76)**<br>It is observed that the non-aeronautical revenues projected by AAI are significantly low / conservative. It is requested that AAI explores all avenues to maximise revenue from the utilisation of terminal building for non-aeronautical purposes.<br><br>We request AERA to mandate AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Coimbatore airport.<br><br>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 Second Control Period.<br><br>Without prejudice to the above, we submit that the increase in NAR is influenced by factors such as the expansion of terminal building area, growth in passenger traffic, inflationary pressures and real increases in contract rates.<br><br>Despite these factors contributing to increasing potential revenues, it has been observed that AERA's projections for non-aeronautical revenue in the control period appear to be conservative. Given the substantial opportunities for revenue growth, we request that AERA consider a more optimistic and expansive approach to NAR projections to better align with the actual potential and economic benefits foe Coimbatore Airport. |

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| | | 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.<br><br>FIA submits that Coimbatore is widely recognized as a major destination for spiritual, educational, and business tourism, attracting visitors from across the globe. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.<br><br>**Accordingly, we request AERA:**<br>a) To mandate AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at CJB<br><br>b) To kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the Second Control Period.<br><br>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 Coimbatore has to increase their NAR in accordance with the submissions above.<br><br>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.<br><br>In view of the above, we request AERA to allow higher non-aeronautical revenues for CJB. |
| 10. | Quality of Service for the First Control Period | **<u>Para 12.2.3 (Table 80)</u>**<br><br>As noted by AERA in the CP, the average ASQ rating achieved by CJB for the past four years is 4.50 (except for CY 2022 where it was 4.80) as compared to target 4.68 as per the MoU with MoCA. We request AERA to kindly note the same, and implement corrective measures, if any, as per the MoU for the same. |
| 11. | Aggregate Revenue Requirement (ARR) for the Second Control Period | **<u>Para 13.2</u>**<br>As per 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.*" |

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| | | This policy document explicitly advises *"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 caution is especially pertinent during periods of economic difficulty (such as the adverse financial impact on airlines following the post Covid-19).<br><br>Any attempt to award the contracts by AAI on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.<br><br>It is general perception that 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.<br><br>There should be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for the royalty for the airport operator.<br><br>In Light of the financial challenges faced by the airlines, as outlined in this letter, FIA requests AERA that no higher tariff shall be fixed for this control period. |
| 12. | Proposed Annual Tariff Proposal (Annexure 2): | 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.<br><br>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.<br><br>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 AAI to clarify the following:

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

**Collection Charges:** We would like to invite AERA's attention to notes 1 of 17.2.5 UDF charges in the Annexure -2 of CP, wherein the rate of collection of UDF charges is not mentioned by AERA. We request AERA to consider the collection charges at Rs. 5.00 embarking passengers as proposed by AAI in annexure 1. 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) 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 AAI having received the 'undisputed' invoiced UDF amount within the applicable due date.

**i.** UDF effective from 1st October 2024 to 31st March 2028:-
Comment to Note (a) - Collection Charges: Please note that the same is paid by airport operators to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied.

**ii.** There is no mention 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.

**iii.** It is requested to define the applicability or exemption of any of the tariff charges pertaining to RCS Flights which have been excluded.

Please clarify w.r.t UDF applicability in both below scenarios:

- Passenger embarking from CJB on a domestic flight and then a connecting flight to an international destination.
- Passenger disembarking in CJB from a domestic flight, however he originated his journey from an international destination.

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| | | **3. Landing charges:**<br>a) It is proposed to add below notes to Landing Charges which were part of Existing Tariff card as published in AIC09_2019.<br>1. No Landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport and b) helicopters of all types c) DGCA approved flying school/flying training institute aircrafts.<br>2. All domestic legs of International routes flown by Indian operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.<br>3. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).<br>4. Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.<br>b) AERA has proposed to increase the Landing Charges for all flights to 29.21% approx.: - from the existing charges. We request AERA to kindly consider rationalising the same.<br>c) Para 17.2.4. (Note h) – It is requested that AERA should propose the definition of 'Unauthorised Overstay', which will provide clarity to all stakeholders regarding charges to be applied for such overstay by the airport operator.<br>d) Further, FIA recommends to add note no.09 in Para 17.2.4 of the Annexure 2,as follows:<br>"No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any aviation". |
| 13. | Any Other Comment | **A. <u>Shrinkage in Control Period</u>**<br>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...'*<br><br>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 CJB - Second Control Period, will now be issued after the commencement of the Control Period i.e., 01 April 2023.<br><br>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. |

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| | | 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.<br><br>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).<br><br>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.<br><br>**B: Royalty**<br>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 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.<br><br>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 31.8% 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.<br><br>In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items. |