



11 October 2024

Director Policy & Statistics,  
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Via email: [director-ps@aera.gov.in](mailto:director-ps@aera.gov.in); [satish.kr@aera.gov.in](mailto:satish.kr@aera.gov.in)  
Cc: [secretary@aera.gov.in](mailto:secretary@aera.gov.in)

Dear Sir,

## **IATA COMMENTS ON AERA'S CONSULTATION PAPER FOR DETERMINATION OF AERONAUTICAL TARIFF FOR INDORE INTERNATIONAL AIRPORT (IDR) FOR THE SECOND CONTROL PERIOD**

The International Air Transport Association (IATA) is the trade association for the world's airlines, representing some 330 airlines or 80% of the world's air traffic. Many of our member airlines operate in the Indian market – and we support many areas of aviation activity and help formulate industry policy on critical aviation issues.

We appreciate and thank AERA for its due diligence in reviewing the proposal by Airport Operator (AO) for Indore International Airport. We would like to highlight the below-stated points:

### **Airport Users Consultative Committee (AUCC) meeting**

- IATA would like to highlight that there was no AUCC meeting conducted by the AO before embarking on capital expenditure projects. This was highlighted by IATA as well as by the airlines during the AERA consultation meeting held on 20<sup>th</sup> September. At the behest of AERA, the AO subsequently scheduled the AUCC meeting on 1<sup>st</sup> October 2024.
- During the AUCC meeting on 1<sup>st</sup> October, the misalignment of priorities between airport operator and airlines operating was evident, which could have been avoided if due consultation had been undertaken in a timely and meaningful manner.
- Scheduling an AUCC 5 months after the beginning of CAPEX work is too late for establishing the need and business case for any CAPEX, or to incorporate any changes into the CAPEX plan. This certainly does not adhere to both the intent and due process stipulated by AERA. AO should recognize that such unsupported decisions/investments that have not been validated by airport users/airlines would run the risk of not being accepted for inclusion in the RAB and in determining the overall ARR.
- We would request AERA to recognise such gaps and put in place a mechanism so that the mandated consultation protocols are respected and followed in a timely manner. IATA has previously provided AERA with our recommendation for a best practice consultation framework that facilitates ongoing engagements by an AO with its stakeholders in an inclusive and collaborative manner.



### **Cost allocation & adjustments**

- We appreciate AERA for excluding unjustifiable costs from RAB that were proposed by the airport operator, such as cost related to CSR, lega, as well as costs incurred due to penalties.
- IATA supports the proposal to review of CHQ/RHQ costs allocation methodology and would request AERA to subject the proposed approach to consultation. The consultation can either be to review the proposal by AAI or to provide feedback on AERA's preliminary view of the proposal by AAI.

### **Steep upfront increase in tariff**

- The increase in tariff proposed in the CP is very steep during the first year of the CP and then gradually tapers down during the rest of the years of the control period.
- We request that this increase could be better spread out over the years across the control period, while still providing the airport operator with the required target revenue within the control period.

### **Fair rate of return**

- The FROR approved by AERA at 13.53% is high and does not reflect the business risk (or lack of) assumed by the airport operator, given the true-up approach adopted by AERA.

### **Security expenses**

- We would like to understand as to why major security expenses related to the construction of CISF quarters included in the Regulatory Asset Base (RAB) are not being funded via the Aviation Security Fund (ASF)? All security related costs previously funded through the PSF-SC should rightfully be funded through the ASF. This expense should thus be disallowed by AERA.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Amitabh Khosla', is written over a light blue horizontal line.

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cc Richard Tan, IATA Regional Manager, Airport Development and Charges – Asia Pacific