FEDERATION OF INDIAN AIRLINES

Federation of Indian Airlines
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New Delhi - 110019.
Website: www.fiaindia.in

URGENT &
IMPORTANT

18 January 2025

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. 06/2024-25 dated 19th December 2024 on determination of Aeronautical Tariff for Sri Guru Ram Dass Jee International Airport, Amritsar for the Second Control Period (01.04.2024 – 31.03.2029)

Ref: *AERA stakeholder consultation meeting dated 3rd January, 2025.*

Dear Sir,

We, the Federation of Indian Airlines ("**FIA**") on behalf of our members airlines (IndiGo, SpiceJet and Air India) submit our response to the Consultation Paper No. 06/2024-25 issued by the Airports Economic Regulatory Authority of India ("**AERA**" or "**Authority**") regarding the of determination of Aeronautical Tariff for Sri Guru Ram Dass Jee International Airport, Amritsar ('**ATQ'**) for the Second Control Period (01.04.2024 – 31.03.2029) ('**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 3rd January 2025.

Sir, FIA submits that, according to the Investment Information and Credit rating Agency of India ('ICRA') the aviation industry is projected to report a net loss of over INR 3,000 in FY25. However, it may be noted that, the aviation industry has far reached impacts from the strong financial headwinds caused by factors such as seasonal economic slowdown, geo-political instability, ongoing wars, significant global supply chain issues, increased Aviation Turbine Fuel (ATF) prices, limited government financial support, subdued customer willingness to pay, and foreign exchange fluctuations among others.

We would like to commend AERA for its proactive approach in proposing a reduction in the originally proposed increase in aeronautical charges by the Airports Authority of India (AAI) and for setting these charges below the existing levels. This thoughtful decision reflects AERA's commitment to the long-term sustainability of the aviation sector and its responsiveness to the concerns raised by stakeholders. We recognize that this reduced proposal will provide much-needed relief to airlines and passengers, mitigating the financial pressures that the industry is currently facing.

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However, given the ongoing challenges facing the aviation sector, particularly the high cost of Aviation Turbine Fuel (ATF), the depreciation of the India Rupee, and other macroeconomic pressures. This is because the cost structure of airlines is heavily dependent on ATF, which is priced in USD, along with many other operational costs that are largely dollar denominated. We respectfully request AERA to further review and consider additional reductions in aeronautical charges for the Second Control Period. Such a step would be invaluable in helping to support the industry's recovery and ensuring continued affordability for passengers, which is critical for the sector's future growth.

The CP proposes a significant decrease in the aeronautical tariffs at ATQ. As outlined in **Annex – A**, we kindly request that AERA take our observations and feedback into consideration. In this regard, we respectfully urge AERA to consider and review the further decrease in the aeronautical tariff in the Second Control Period, wherever possible, given the adverse financial impact on airlines and passengers alike.

Without prejudice to the above, we request AERA to kindly review our detailed submissions, which are mentioned under **Annex – B**.

We trust that AERA will give due consideration to our recommendations, which we believe will contribute to the affordability and sustainability of the airline industry –goals that align with the objectives outlined 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

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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 AERA)** - **TABLE – A**

Landing Charges: (Refer– (17.2.3 of Annexure 2 of the CP) (In Rs.)

Particulars	Unit	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.12.2024) Existing Rates	Tariff Proposed by AERA				
	MT		FY 2024-25 (Tariff w.e.f. 01.3.2025 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)	FY 2028-29 (Tariff w.e.f. 01.04.2028 to 31.03.2029)
LANDING CHARGES	INR Per MT	LANDING CHARGES					
DOMESTIC (INR/MT)		DOMESTIC (INR Per MT)					
Eg: Impact on Q400 Landing charges for 80 & Plus seater (Rs.)	30 MT	7823	4545	4545	4545	4545	4545
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
A320 / B737-800 (Rs.)	79 MT	26206	15208	15208	15208	15208	15208
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
INTERNATIONAL (INR Per MT)		INTERNATIONAL (INR per MT)					
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	13613	7905	7905	7905	7905	7905
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
A320 / B737-800) (Rs.)	79 MT	50252	29165	29165	29165	29165	29165
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%

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TABLE – B

Parking Charges: (Refer – 17.2.4 Annexure 2 of the CP) (In Rs.)

Particulars	Unit	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.12.2024) Existing Rates	Tariff Proposed by AERA				
	MT		FY 2024-25 (Tariff w.e.f. 01.3.2025 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)	FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)	FY 2028-29 (Tariff w.e.f. 01.04.2028 to 31.03.2029)
PARKING Charge	INR/Hr/ MT	PARKING CHARGES - Per Hr. per MT					
Domestic (INR Per HOUR /MT) for 1st 2 chargeable hrs		Domestic (INR Per HOUR /MT) for first 2 chargeable hrs.					
Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	98	57	57	57	57	57
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
A320 / B737-800) (Rs.)	79 MT	355.3	205.7	205.7	205.7	205.7	205.7
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
International (INR Per HOUR /MT)(for 1st 2 chargeable hrs)		International (INR Per HOUR /MT) for first 2 chargeable hrs.					
Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	110.5	63.75	63.75	63.75	63.75	63.75
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
Impact- A320 / B737-800 (Rs.)	79 MT	396.5	230.25	230.25	230.25	230.25	230.25
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%

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TABLE C

UDF Charges: (Refer – 17.2.5 of Annexure 2 of the CP) (In Rs.)

Particulars	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.12.2024) Existing Rates	Tariff Proposed by AERA				
		FY 2024-25 (Tariff w.e.f. 01.1.2025 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)	FY 2027-28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)	FY 2028-29 (Tariff w.e.f. 01.04.2028 to 31.03.2029)
UDF	UDF					
DOMESTIC	500	288	288	288	288	288
Variance % from existing		-42%	-42%	-42%	-42%	-42%
Variance from YOY		-42%	0%	0%	0%	0%
INTERNATIONAL	1300	749	749	749	749	749
Variance % from existing		-42%	-42%	-42%	-42%	-42%
Variance from YOY		-42%	0%	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 reduction in the Landing Charges (Domestic & International) on Q-400/ATR (80 & above seater) & on A320 / B-737-800 approximately by 42% from existing charges.
2. Tables B: AERA has proposed reduction in the Parking Charges (Domestic & International) on Q-400 (80 & above seater) and on A320 / B-737-800 approximately by 42% from existing charges
3. Table C: AERA has proposed a reduction in the UDF of by 42 % for Domestic & International Embarking Passenger from existing charges.

We appreciate the due diligence done by AERA in rationalizing the tariffs and in the interest of all the stakeholders we request that AERA further rationalise the proposed tariffs.

The Authority is requested to reconsider the proposed tariff structure mentioned above, in consideration of points as mentioned in Annex - B of this letter.

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Annex - B

We request AERA to kindly note FIA's submissions to the AERA C.P. No. 06/2024-25 on determination of Aeronautical Tariff for Sri Guru Ram Dass Jee International Airport, Amritsar ('**ATQ**') for the Second Control Period (01.04.2024 – 31.03.2029)

S. No.	AERA's Proposal under each Chapter	Comments
1.	Background, Framework of tariff determination	**<u>Para 3.3.1</u>** 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	**<u>Para 3.1.2</u>** 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.	True up for the FCP	**<u>Para 2.1.6</u>** 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. **<u>Para 4.5.2</u>** It is submitted that: (a) We observe that the Fair Rate of Return (FRoR) of 14% provided to the Airport Authority of India ("AAI") for the First Control Period is higher compared to some of the airports, such as Chennai and Pune. Without prejudice to the above, there appears to be no clear rationale for providing a higher return to AAI for Amritsar Airport. Accordingly, we request that AERA consider reducing the FRoR for the FCP appropriately.

		(b) We also request that AERA conduct an independent study to assess the proposed FroR for the Second Control Period **Para 4.7.6 (b) point 2** 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.
4.	Traffic for the Second Control Period	**Para 5.2.5 and Table 27** While we appreciate that AERA has considered the traffic forecast data published by IATA (refer para 5.2.5), we kindly request AERA to conduct an independent study. This study should include additional demand drivers that may not have been covered in the report issued by IATA. We would also like to draw the Authority's attention to the fact that the trends observed in the recent post-pandemic period may not serve as a reasonable benchmark for future projections, whether in terms of passengers or traffic. Economic factors such as inflation, market demand and prices may not continue at the same rate or trend, as the current post-pandemic trends are influenced by exceptional factors such as COVID-19, revenge tourism, Geo-political issues, and recent financial disruptions in the USA. While there has been an increase in the load factors post COVID-19 recovery, these factors may not necessarily hold in the long term. Therefore, we request the Authority to rationalize the traffic projections by AAI, specifically for ATQ, with a more focussed study-especially on the international front –considering the plans of airlines to expand international operations from ATQ. Hence, we respectfully request that the Authority conduct an independent study by the help of consultants to evaluate the findings while finalising the projected ATM and passenger's figures.

6.	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. **Para 6.2.6 A1 (i) b** 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. We submit that there should not be any incremental normative rate for capex projects. 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. 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. In view of the above, we request AERA to conduct an independent study for 'efficiency of capex for SCP' before issuing the final order, which may help in understanding the exact needs of the airport and lower risk of unplanned and/or underutilized capex in this control. **Para 6.2.9** 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 case the 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. **Para 6.2.8** 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. **Para 6.2.7**

		FIA submits that, AERA has considered the Terminal Building Ratio ('TBLR') of 90:10 for the Second Control Period. FIA submits that AERA has considered the Terminal Building Lease Ratio ('TBLR') of 90:10 for the Second Control Period. However, it is important to recognize the significance of Amritsar as a prominent destination and a vital hub in Punjab, not only within India but also in a broader regional context. The city is renowned for its rich cultural heritage, vibrant food scene, and for being a prominent pilgrimage and for its growing presence in sectors such as education, export, and tourism. Amritsar is rapidly emerging as a key player in these fields, attracting both domestic and international visitors. Its role as a center for education, with a range of prestigious institutions, further enhances its appeal, making it a strategic location for academic and business collaborations. Amritsar's educational institutions, including Guru Nanak Dev University and other leading academic centers, have become major drawcards for students, scholars, and researchers from across the globe. These institutions contribute not only to the intellectual vibrancy of the city but also support its growing role in the export sector, with research and technological innovation helping to drive local and national economies. Amritsar's export potential is also significant, particularly in the textile and handicraft industries. The city is renowned for its woollen textiles, carpets, and phulkari embroidery, with local artisans producing world-renowned products that are increasingly reaching global markets. The city's rich tradition of arts and crafts, particularly in brassware and embroidered fabrics, further strengthens its economic fabric and provides new avenues for growth. With its growing reputation and steady influx of tourists, business travellers, and culinary enthusiasts, Amritsar plays a crucial role in tourism. The city is home to the iconic Golden Temple, and its strategic location further enhances its appeal, serving as a major gateway for both domestic and international tourism. The development of ATQ and ongoing improvements in infrastructure further underscore its potential for increased non-aeronautical revenue, including services related to tourism, business, and export logistics.

		The current non-aeronautical revenue ratio proposed by AERA may not fully capture the extensive economic opportunities presented by Amritsar's diverse industries, educational institutions, and cultural significance. Compared to major airports like DIAL, MIAL, and BIAL, ATQ's TBLR (Terminal Building Lease Revenue) appears undervalued, despite the city's increasing contributions to tourism, exports, and education. As noted by AERA, airports with TBLR above 10% are often cited as benchmarks for success, and Amritsar's unique combination of cultural, pilgrimage, educational, and business assets suggests that its economic impact will continue to rise, reinforcing its status as a major center for both tourism and business. In view of the above, we request AERA to kindly allot the best possible ratio towards Non-Aeronautical Revenue (NAR), while maintaining a consistent approach in applying IMG norms. We further urge AERA to consider conducting an independent study in assessing the potential for non-aeronautical allocation revenue for ATQ. **Para 6.3.5, Table 47** 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.
7.	Fair Rate of Return (,) for the Second Control Period	**Para 7.2.12 (Table 41)** FIA submits that only reasonable Fair Rate of Return (FRoR) to airport operators should be provided. It is observed that AERA have considered FRoR of 11.90%, for the Second Control Period. It may be noted, that AERA in the recent times have approved lower FRoR for other airports such as Shirdi & Pune.

		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. 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 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. 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. This is particularly highlighted since other AAI airports like Chennai, Kolkata and Pune have a much lower FRoR.
8.	Operation and Maintenance Expenditure for the Second Control Period	**Para 9.2.21 (Power Expenses)** 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.

		Para 9.2.24 Table 48 & 49 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 to not provide such huge increase in utilities and outsourcing expenses. 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. 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 Second Control Period.
9.	Non-aeronautical revenue for the Second Control Period	**Para 10.2.5 (Table 52)** It has been observed that the Non-Aeronautical Revenue (‘NAR’) projected by AAI appears to be conservative given the traffic projections and scope of increasing NAR. As, It is submitted that the 117.85 crore NAR achieved during the First Control Period was based on low traffic movement i.e., only half of the proposed traffic movement for the Second Control Period due to the impact of COVID-19 pandemic and other external factors. Given that the traffic movement is expected to be more than double in the Second Control Period, the proposed NAR of 282.53 crore still remains a conservative estimate.

In light of these factors, we strongly recommend that AAI should take proactive steps to leverage available space and resources to enhance their non-aeronautical activities and revenue generation, which will positively contribute towards the airport's financial performance in future periods.

Without prejudice to the above, it should be noted that factors such the expansion of terminal building area, growth in passenger traffic, inflationary pressures and real increases in contract rates influence the increase in NAR. Despite these factors contributing to increased revenue potential, we request that AERA further rationalise its projections for NAR in the Second Control Period.

Given the substantial growth opportunities, we request that AERA adopt a more optimistic and expansive approach to NAR projections, aligning them with the actual potential and economic benefits for ATQ. It is also worth noting that at other airports, the truing up of NAR in subsequent control periods has often resulted in the underestimation of potential revenue, leading to higher tariffs in those control periods.

FIA submits that Amritsar is increasingly recognized as a key destination for cultural, educational, and business tourism, attracting visitors globally. With air travel being the preferred option for many, the city's air traffic is expected to see significant growth.

Accordingly, we request AERA:
a) To mandate AAI to enter into more agreements with concessionaires to exploit the growth potential of NAR at Amritsar Airport (ATQ).

b) To kindly undertake a detailed examination, with the assistance of an independent study, of the NAR before the tariff determination of the Second Control Period.

c) To further re-assess their estimates in line with other comparable airports. Including the impact of the tourism lineage that Amritsar has to increase their NAR in accordance with the submissions above.

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

In view of the above, we request AERA to allow higher NAR for ATQ.

10.	Aggregate Revenue Requirement (ARR) for the Second Control Period.	**<u>Para 14.2.4 (Table 62)</u>** 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."* 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 relevant during periods of economic difficulty (such as the adverse financial impact on airlines following the post Covid-19 situation). Any attempt by AAI to award the contracts based on the highest revenue share basis should be discouraged, as it breeds inefficiencies and tends to disproportionately increase the costs. It is commonly perceived that service providers have no incentive to reduce expenses, as any such increase in cost will be passed on to the airlines through the tariff determination mechanism process, thus forcing airlines to absorb these additional charges. There should be a mechanism in place to incentivizing the parties for improving efficiencies and achieving cost savings, rather than relying on the royalty for the airport operator. In light of the financial challenges faced by the airlines, as outlined in this letter, FIA requests AERA to further rationalise the reduction in tariff for this control period.
11.	**Proposed Annual Tariff Proposal (Annexure 2<u>):</u>**	In accordance with the preamble of the National Civil Aviation Policy, which envisions making air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above, which are likely to reduce in the ARR. This will further ensure the lowering of tariffs including UDF, thereby benefiting both passengers and airlines. It is in the best interest of all stakeholders that the proposed tariff reductions be further rationalised. Additionally, in order to encourage more middle-class people to travel by air, this will contribute to a strong post-COVID-19 recovery of the aviation sector. As per the government's stated vision to make UDAN ("Ude Desh ka Aam Naagrik") a reality, this can only be achieved if we maintain the lowest possible cost structure, enabling more and more people to access air travel. 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 March 2025 to 31st March 2029:- Comment to Note. a. 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. ii. 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. 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 ATQ on a domestic flight and then a connecting flight to an international destination. • Passenger disembarking in ATQ from a domestic flight, however he originated his journey from an international destination. 2) **Parking Charges (17.2.4)** Refer Note of Table 75: a) FIA recommends to add note (i) in Para 17.2.4 of the Annexure 2,as follows:

		"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 airline". b) "Note 8" – 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. **3. Landing charges:** a) AERA has proposed a reduction in the Landing Charges for all flights by approximately 42% approx. from the existing charges. We respectfully request AERA to consider further rationalising this reduction. **b) CUTE, CUPPS, CUSS** AERA is kindly requested to provide transparency by clearly publishing the detailed breakdown of CUTE and BRS charges, in accordance with the AERA Act, for the benefit of all stakeholders.
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 ATQ- Second Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2024. We submit that cost of operations for the airlines is 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 21% 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.