Fwd: Representation on Proposed UDF and Aeronautical Charge Hike by MIAL for CSMIA (Fourth Control Period, April 2025 – March 2029)

SA Secretary AERA <secretary@aera.gov.in>
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Sent by vicky.1991@gov.in

============ Forwarded message ============
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Date: Sat, 12 Apr 2025 15:01:44 +0530
Subject: Representation on Proposed UDF and Aeronautical Charge Hike by MIAL for CSMIA (Fourth Control Period, April 2025 – March 2029)
============ Forwarded message ============

To
The Chairman
Airports Economic Regulatory Authority of India (AERA)
AERA Building
Safdarjung Airport
New Delhi – 110003

Subject: Representation on Proposed Hike in UDF and Aeronautical Charges at CSMIA (Mumbai) and IGIA (Delhi)

Respected Sir,

We write on behalf of the Board of Airline Representatives (BAR) to express our concern regarding the proposed hikes in User Development Fees (UDF) and other aeronautical charges at **Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai** and **Indira Gandhi International Airport (IGIA), Delhi**.
As per consultation papers and notifications shared by AERA(attached), there are revisions by MIAL (effective **April 1, 2025**) and DIAL (effective **April 16, 2025**) .

While we understand the airports' need to maintain and develop infrastructure, we believe the magnitude and timing of these increases could have significant operational and financial implications. Therefore, we respectfully submit the following key concerns and recommendations for your consideration:

1. Treatment of Tickets Sold Prior to Rate Change

A substantial volume of tickets for future travel has already been sold at the prevailing UDF rates. A retrospective application of the revised charges will place an unanticipated financial burden on airlines, who have collected and reported the UDF as per previous rates. We request AERA to **allow tickets issued prior to the effective dates to be honored at the old UDF rates**, in line with industry best practices.

2. Simplification of Reporting Format

The existing tax and UDF reporting formats, particularly after implementation of multiple rate slabs and dual charge systems (arrival/departure, class-wise), have become **increasingly complex and operationally challenging**. We request AERA to engage with stakeholders in developing a **streamlined and transparent reporting format**, aimed at improving compliance and reducing administrative workload.

3. Phased and Justified Implementation

We urge AERA to consider a **phased approach** for any significant increases, especially in a post-pandemic context where airlines and passengers are still sensitive to cost escalations. A detailed cost-benefit analysis and clear justification for the proposed hikes would be appreciated by all stakeholders.

We value AERA's commitment to maintaining a balanced regulatory environment and seek your kind support in also evaluating concerns / interest of passengers and airlines alike. We remain available for any further consultation or clarification that may be required.

Thank you for your consideration.

With kind regards,
Sincerely,

On behalf of the Board of Airline Representatives (BAR)

Purnima Nerurkar
Chairperson

B A R {India}
Board of Airline Representatives in India
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1 Attachment(s) • Download as Zip

Tariff Order_No_20_24-25_28.0… .pdf
1.5 MB •

Summary & Airline Representation

The AERA Consultation Paper No. 08/2024-25 for Mumbai International Airport (MIAL) outlines the proposed tariffs, capital expenditures, and operational cost structures for the Fourth Control Period (FY 2024-25 to FY 2028-29).

1. The proposed increase in landing and parking charges (Page 138), which cumulatively amount to over ₹4,955 Cr in Landing Charges and ₹240 Cr in Parking Charges for the third control period, may adversely affect route viability for long-haul and connecting international flights.

2. Significant capital expenditure (CAPEX) plans totaling ₹7,651 Cr (Page 260) include extensive terminal works, airside projects, and tunnels. However, many projects seem overbuilt for current international traffic demand.

3. Projected traffic growth assumptions (Page 146) appear optimistic. For instance, international ATM projections show minimal growth until FY29, while charges are set to increase in advance.

4. The cost recovery structure includes Return on Equity (RoE) assumptions that appear inflated at ~16.2% while international benchmarks are closer to 11–12% (Page 119–120).

5. Input Tax Credit (ITC) adjustments are proposed for only certain categories (Page 260), which could further inflate the effective cost base that airlines indirectly bear.

6. Parking infrastructure upgrades, including the acquisition of the NEC hangar (Page 182), should be transparently linked to additional stands, actually being delivered for Code C aircraft – critical for widebody international operations.

7. Additionally, from a passenger perspective, the proposed adjustments in User Development Fees (UDF) can significantly influence overall travel affordability, especially for price-sensitive international routes. MIAL's projected UDF revenue growth (Page 337) and plans to maintain or raise charges should be evaluated in the context of service enhancements and recovery-linked phasing. Win-win strategies such as dynamic UDF pricing or reduced fees for connecting passengers can support both user affordability and airport revenue stability.

   The document requires greater transparency in cost allocation, especially between aeronautical and non-aeronautical revenues.

Key Questions from Airlines prospective

1. What is the rationale for the increase in landing and parking charges (Page 138), especially when international ATMs are projected to remain relatively flat until FY29?
(As per Table 144 on Page 138 of the Consultation Paper, MIAL earned ₹4,957.41 Cr from Landing Charges and ₹240.58 Cr from Parking & Housing Charges during FY20–FY24. These numbers are part of the true-up for the Third Control Period and form a significant share of aeronautical revenues.)

2. How does AERA justify an RoE of ~16.2% when global comparable are 11–12%? (Pages 119–120)
(AERA discusses Return on Equity (RoE) on Pages 119–120. MIAL proposed ~16.2% RoE using a higher cost of equity benchmark, whereas international comparable often use 11–12%.)

3. Is the cost-benefit of the proposed Airside Tunnel (₹894 Cr) adequately validated against alternatives? (Page 182)
(The proposed Airside Tunnel project, valued at ₹894 Cr, is discussed on Page 182 under CapEx proposals. This tunnel is intended to improve airside connectivity between the terminals and stands.)

4. Are the new Code C parking stands resulting from NEC hangar acquisition (₹120 Cr) sufficient to meet projected international traffic growth? (Page 182)
(MIAL has proposed acquiring the NEC hangar at ₹120 Cr (Page 182) to create new Code C aircraft parking stands. The impact on capacity and efficiency should be validated.)

5. Will tariff hikes be phased to align with actual traffic growth rather than upfront increases? (Page 146)
(Passenger and ATM traffic projections for the Fourth Control Period are analyzed on Pages 145–149. Projections appear optimistic relative to historical growth.)

6. How are aeronautical and non-aeronautical costs being split transparently across IT, Security, and Digital CapEx? (Page 250)
(Allocation of CapEx (aero vs. non-aero) and digitalization costs is covered under Pages 250–260. There is concern over transparency and justification for classifying digital assets.)

7. How has MIAL justified the level of User Development Fees (UDF) proposed in this control period? (Page 337)
(Page 337 provides the UDF revenue targets for the Fourth Control Period, showing MIAL's intent to maintain or slightly increase UDF.)

8. Are UDF increases tied to measurable improvements in passenger experience (e.g., ASQ ratings)? (Page 330)
(ASQ scores and service quality parameters are discussed on Page 330, where MIAL outlines quality improvements tied to tariff revisions.)

9. Is there a plan to differentiate UDF based on terminal use (T1 vs. T2) or domestic vs. international flows?

Airline Suggestions to AERA

1. Adopt a traffic-linked tariff adjustment mechanism to prevent over-recovery in low-growth periods.
2. Phase CAPEX based on traffic triggers and detailed feasibility studies for major projects (e.g., tunnels, T1 reconstruction).
3. Implement performance-linked rebates for efficient airline operations and punctuality.
4. Cap RoE assumptions at levels consistent with global benchmarks to ensure fair burden-sharing.
5. Encourage MIAL to ensure inter-terminal connectivity (tunnels, apron access) is future-proofed and cost-efficient.
6. Establish joint airline-airport infrastructure working groups for better forecasting, project planning, and CAPEX alignment.
7. Ensure transparency of how UDF collections are reinvested into terminal, access, and service upgrades.

Board of Airlines Representative in India – BAR(India)