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Mr. Ram Krishan
Director - Policy & Statistics
Airport Economic Regulatory Authority
Udaan Bhawan, Safdarjung Airport Area
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Dear Mr. Ram Krishan,

IATA RESPONSE ON DETERMINATION OF AERONAUTICAL TARIFF FOR TIRUCHIRAPPALLI INTERNATIONAL AIRPORT (TRZ), FOR THE SECOND CONTROL PERIOD

The International Air Transport Association (IATA) is the global trade association for the airline industry, representing some 360 airlines, carrying 83% of the world's air traffic. IATA members include the world's leading passenger and cargo airlines spread across 128 countries, which also include Indian scheduled carriers.

IATA has reviewed the detailed information provided by AERA in the consultation paper. The proposal clearly demonstrates that the significant upward pressure on aeronautical charges is being driven primarily by AAI's inefficiencies and poor cost discipline, rather than by genuinely justified or essential cost needs. The pattern of excessive capex overruns, weak commercial performance, and recurring accounting misstatements reinforces the concern that airlines and passengers are being asked to absorb costs that do not reflect efficient or prudent airport operations.

Process and consultation gap

- IATA notes that the capacity of the New Integrated Terminal Building (NITB) has been enhanced from the originally planned 3.63 MPPA to 4.45 MPPA, despite the Authority's own traffic projections for FY 2029–30 remaining significantly lower than this revised capacity. The reconfiguration resulted in an increase in terminal area, associated systems and overall capital cost, while the terminal was already under-utilised. Material changes in scope and capacity have long term tariff implications and should be subject to structured user consultation through the AUCC framework as mandated by AERA.
- The Consultation Paper highlights a substantial 53.2% variance between the CAPEX approved by the Authority for the First Control Period (INR 735.30 crore) and the CAPEX subsequently incurred and claimed by AAI (INR 1,125.18 crore). IATA concurs with AERA's observation that this discrepancy is significant and must be addressed. Airlines and users should not be burdened with unjustified and inefficient investments.
- IATA supports AERA's proposal to allow only a portion of the NITB cost into the RAB, given the clearly excessive unutilized capacity. Users should not bear the cost burden of infrastructure that remains materially underutilized. However, instead of the proposed 75% recognition, IATA recommends that AERA consider a lower proportion that is more aligned with the actual utilization rate of only 40–43% during the First Control Period, such as in the range of 45 - 50%.
- A substantial portion of this increase arose without fresh AUCC consultation, despite the magnitude of escalation. Airlines were not consulted on revised cost implications, undermining the required transparency and governance of capex programme. Ex-post disallowance of costs does not fully mitigate the impact of ex-ante process gaps. Strong AUCC discipline is essential to prevent inefficient investment decisions that later translate into excessive tariff volatility.



- IATA notes that additional capital expenditure proposals for the Second Control Period have also been submitted without comprehensive AUCC consultation, notwithstanding the airport's continuing excess capacity. Traffic projections should be validated against airline feedback and schedules/slot filings, rather than relying primarily on backward looking growth arithmetic.

Traffic Projections

- The Consultation Paper assumes a sharp increase in domestic passenger traffic over a short period, driven largely by a step change in deployment by a single carrier. While recovery momentum is acknowledged, extrapolating such a step change across the control period risks overstating sustainable demand.
- In recent times, international traffic growth at TRZ has moderated and reflects a more stable, normalized pattern. Airline entry and exit dynamics, as well as modest capacity increases by domestic carriers, suggest steady rather than accelerated expansion. Therefore, applying regional or national growth benchmarks uniformly to TRZ may not adequately reflect airport-specific market characteristics.

Depreciation and Asset Classification

IATA supports AERA's decision to reject AAI's depreciation approach, specifically the practice of applying only 50% depreciation in the first year of asset capitalization, and to correct the classification between aeronautical and non-aeronautical assets. This adjustment appropriately reduces the claimed depreciation from INR 102.98 crore to INR 65.44 crore.

Overstated depreciation materially inflates the Aggregate Revenue Requirement (ARR) and, consequently, the aeronautical tariffs borne by airlines and passengers. Such misstatements directly undermine the cost-relatedness and transparency required under ICAO principles.

IATA remains concerned about AAI's asset management and accounting practices, as this is not the first instance where significant discrepancies have been identified during the true-up process. Continued vigilance and stronger controls are necessary to avoid recurring irregularities that ultimately increase user charges.

Non-aeronautical Revenues Underperformance

IATA notes with concern the significant underperformance in NAR during the First Control Period, with actual NAR amounting to INR 102.51 crs, materially lower than the INR 128.79 crs approved by AERA. This shortfall represents a substantial deviation from projections and has direct implications for aeronautical tariffs under the hybrid-tilt framework, where 30% of NAR is used to offset aeronautical charges. The NAR underperformance has direct financial consequences for users, further undermining the balance and fairness as intended by the policy and regulatory framework.

While the early years of the period were affected by COVID-19 disruptions and the termination of key commercial concessionaires, revenue performance did not fully recover even after passenger traffic rebounded from FY 2022-23 onward. Underachievement was recorded across several key categories; F&B, retail, parking, and advertising, reflecting weaknesses in AAI's commercial management and concession oversight.

This shortfall has had a direct impact on airlines. Every rupee of NAR not earned translates into a higher aeronautical cost burden, as the gap is effectively shifted onto users through elevated ARR and tariff requirements. This undermines the efficiency incentives embedded in the hybrid-tilt model and results in airlines bearing the financial consequences of the airport operator's commercial underperformance.



Looking forward, AAI must strengthen its commercial strategy, revenue assurance, and concession management practices to ensure NAR performance keeps pace with traffic growth and terminal capacity. Improving NAR is critical to minimizing upward pressure on aeronautical charges.

Capacity Planning and Demand Alignment

- IATA notes that even under the Authority's own projections, terminal capacity utilization remains well below optimal levels for a substantial part of the Second Control Period. This underscores the need for continued prudence in approving further capital expenditure and in determining the pace of cost recovery from users.

Tariff Structure and Cost Recovery Profile

- The proposed tariff path includes a significant increase in landing and parking charges, followed by compounding annual increases. These are movement-based charges and therefore have a disproportionate impact on route economics, particularly for short haul and price and sensitive operations. While moderation of UDF is noted, reductions in passenger-based charges do not fully offset sharp increases in movement-based costs.
- A steep front-loaded recovery of Aggregate Revenue Requirement (ARR) risks dampening demand and may affect airline capacity deployment decisions at Tiruchirappalli, potentially undermining the very traffic growth assumed in the Consultation Paper.
- IATA suggests that a more gradual recovery of ARR, aligned with the progressive improvement in capacity utilization, would better balance airport financial sustainability with traffic growth and affordability. Deferring part of the recovery to later control periods, when demand is more closely aligned with installed capacity, would reduce the risk of near-term traffic suppression.

IATA appreciates the Authority's continued emphasis on prudence, capacity-linked CAPEX and user protection. Strengthening AUCC consultation discipline, calibrating traffic forecasts to observable airline behaviour, and moderating the pace of tariff recovery would further reinforce regulatory predictability and long-term growth at Tiruchirappalli International Airport.

Thank you for your kind consideration.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Amitabh Khosla", written in a cursive style.

Amitabh Khosla
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cc Richard Tan, IATA Senior Manager Airport and ANSP Charges