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Mr. Ram Krishan
Director - Policy & Statistics
Airport Economic Regulatory Authority
Udaan Bhawan, Safdarjung Airport Area
New Delhi – 110003
director-ps@aera.gov.in

Dear Mr. Ram Krishan,

IATA RESPONSE ON DETERMINATION OF AERONAUTICAL TARIFF FOR NOIDA INTERNATIONAL AIRPORT (DXN), FOR THE FIRST CONTROL PERIOD

The International Air Transport Association (IATA) is the global trade association for the airline industry, representing some 360 airlines carrying over 80% of world air traffic. IATA members include the world's leading passenger and cargo airlines, including Indian scheduled carriers.

IATA appreciates the opportunity to provide comments on Consultation Paper (CP) No. 07/2025-26 dated 06.03.2026 and recognises the Authority's detailed efforts in reviewing the Multi-Year Tariff Proposal (MYTP) and supporting submissions from the Airport Operator. IATA offers the following comments for the Authority's consideration:

1. Traffic Assumptions and Risk Asymmetry

The CP notes that YIAPL submitted traffic forecasts for the First Control Period based on an independent study, subsequently revised to account for changes in COD and control-period timelines. The Authority has largely adopted this revised traffic profile, making mechanical adjustments to align the series to the extended period and ensure consistency in the treatment of passenger categories.

Traffic realization in the initial years of DXN remains uncertain, as it will depend on airline network decisions, market conditions, the operational readiness of a dual-airport system, and the overall cost of operating at the new airport, including the substantial set-up and establishment expenses airlines are expected to incur.

IATA member airlines have highlighted that:

- *'Traffic diversion from DEL is challenging, as airlines have strong reasons to retain operations at DEL as long as sufficient capacity and slots remain available.'*
- *'International traffic is not expected to scale meaningfully in the near term, as DXN's ability to attract international operations is constrained by point-of-call and related regulatory considerations, in addition to commercial factors.'*

We also note that surface access challenges and limited inter-airport connectivity are likely to influence traffic behaviour in the early years, meaning ramp-up may take longer than implied by purely demand-driven forecasts. In this context, a prudent approach to early-year traffic assumptions is essential, particularly when these projections underpin upfront cost recovery.

Specifically, in relation to the information provided in the consultation document, the following points should be considered:

Clause 4.2.32	The load factor for the international and domestic flights would seem to be aggressive in the first three years of the period with the opening of a new airport and new routes, perhaps reducing the
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	load factor in these years would be more appropriate. This would recognize the ramp-up period required to fully establish new routes within a market.
Clause 4.3.32	The increase in the average seats per ATM on domestic flights from 180 to 188 passengers for domestic Code C traffic would appear to be aggressive as it would assume that airlines would deploy a sizable portion of their larger Code C aircraft to the routes, primarily the A321. It might be more likely that airlines will launch new routes with their smaller aircraft, primarily the A320. An average seat of circa 184 per ATM, perhaps would be more suitable to strike a balance between the aircraft type deployed to the airport in the initial period.
Table 25	There is a considerable increase in traffic from FY28 to FY29, especially for domestic traffic, as the base traffic from the previous year has built up and the percentage change for the year is high. This percentage increase could be aggressive at this point in the ramp-up of operations of the airport.

The current framework places a disproportionate share of downside risk on airlines and their passengers. When traffic forecasts are not realized, under-recovery is automatically carried forward and recovered through higher tariffs in subsequent periods, whereas the airport operator continues to benefit from assured cost recovery. This creates a structural asymmetry in which airport users bear the commercial risks of forecast deviations while the operator remains financially insulated.

Further, it is unclear whether the traffic forecast incorporates any sensitivity analysis of the proposed user charges or the Variable Tariff Plan (VTP), and how these pricing elements may influence traffic behaviour during the initial ramp-up phase and across the remainder of the Control Period.

Therefore, we request that these items are reviewed appropriately before final decision is made by the Authority.

2. Affordability and role of a second hub airport

The Annual Tariff Proposal (ATP) submitted under the Concession Agreement acknowledges the inherent challenges of operating a greenfield airport alongside an established primary hub. YIAPL notes that developing DXN's catchment and attracting sustainable traffic will require striking an appropriate balance between User Development Fees (UDF) and landing/parking charges to support its early-stage growth.

While recognising these challenges, IATA notes that the overall level of aeronautical charges proposed for DXN appears high for a new secondary airport (doubled of DEL based on the projected yield per passenger (YPP)) seeking to establish itself in a competitive market. Annual escalation in landing and parking charges and steep penalty multipliers for overstay may not reflect the operational realities during DXN's initial commissioning phase. Such charge levels risk undermining DXN's ability to position itself as an affordable, market-stimulating alternative for price-sensitive operations.

From a competitive-market perspective, a new entrant typically adopts a pricing strategy that lowers barriers to entry and incentivizes early uptake by airlines, particularly in markets where capacity and traffic will take time to mature. This would normally include:

- Moderated aeronautical charges in the initial years to attract carriers, foster network development, and accelerate market growth. This can also be supported by deferring or tempering expectations on capital returns in the early phase to stimulate early traffic.
- Predictable and stable pricing structures that minimise commercial uncertainty and support long-term planning and commitment by airlines.
- Proportionate and pragmatic penalty regimes, recognising operational realities during the transition to a new airport environment, where processes and systems are still stabilizing.



- Targeted incentives or transitional support measures aligned with global industry practice for new market entrants, ensuring that early adopters are encouraged and rewarded as the airport builds its catchment and competitive position.

International experience consistently shows that secondary airports succeed when pricing strategies are aligned with long-term traffic growth objectives, allowing aeronautical charges to scale gradually with actual utilization rather than being front-loaded to secure early cost recovery.

IATA therefore requests that the Authority give strong weight to affordability and early-phase market-development considerations, to ensure that tariffs at DXN do not become a barrier to traffic growth and remain aligned with its intended role as the NCR's second hub airport.

3. Greenfield Ramp-up Costs and Early Years Cost Recovery

As a greenfield airport, DXN will incur significant CAPEX and OPEX from COD onward, regardless of the pace at which traffic materializes. In the early years of operation, particularly within a dual-airport system, traffic is expected to stabilize gradually, and utilization of terminal, airside and support facilities may remain below design capacity. Under such conditions, the Aggregate Revenue Requirement (ARR), which appears high at entry and remains broadly steady across the First Control Period, risks translating into disproportionately high per-passenger charges for early users.

From an airline and IATA perspective, cost recovery in the initial years must be carefully aligned with actual operational use and demand conditions. When capacity, assets, or services are not fully utilized at COD, it is neither efficient nor economically justified to impose full cost recovery immediately. A phased and prudent approach is essential to avoid front-loading costs onto a small initial traffic base, which would undermine route viability, dampen demand, and ultimately delay the airport's ramp-up.

IATA therefore requests the Authority to closely examine both the timing and pace of early-year cost recovery, ensuring that:

- Tariffs reflect the realistic utilization profile of DXN during the ramp-up phase.
- Cost recovery for under-utilized assets is phased in gradually, avoiding unnecessary early-year burdens on airlines and passengers.
- The overall tariff structure remains affordable, demand-responsive, and conducive to long-term traffic development.

Such an approach is critical to ensuring that DXN can establish itself as a competitive and market-stimulating second airport for the NCR, rather than risk suppressing early traffic with high unit costs driven by premature full cost recovery.

4. CAPEX Prudence and Construction Risk Management

The CP highlights several areas where cost certainty and justification remain incomplete:

- (a) EPC claims, interim CAPEX and cost-sanity checks: The CP notes that EPC contractors have raised claims exceeding ₹1,100 crore, with a potential settlement range of ₹500–600 crore, subject to assessment. These claims relate to design changes, disruption and prolongation, and are still under review.
- (b) Similarly, the CP notes an indicative interim expansion CAPEX of ₹500–600 crore for apron and pier works, but confirms that scope definition, design and procurement planning are not yet available, and will be addressed only after operations commence and traffic trends stabilize.



In both cases, these items are premature for regulatory recognition. Costs that are not clearly defined, competitively tested, or operationally required should only be admitted into the RAB once they are:

- fully substantiated with clear evidence of necessity and efficiency;
- evaluated against alternative options;
- timed appropriately to actual demand growth; and
- transparently reviewed through the AUCC process, which YIAPL should adhere to rigorously to ensure appropriate governance and airline consultation.

(c) AAI CNS/ATM reimbursement and OPEX overheads

The CP provides for recovery of ₹129.30 crore of CNS/ATM capital expenditure incurred by AAI, amortized over 10 years at 12% APR, along with ongoing operating expenditures that are fully allocated to aeronautical users. AERA also observes that AAI's CNS/ATM OPEX includes a 30% overhead loading, for which no clear or demonstrable linkage to incremental service provision has been established.

Given that these costs are charged entirely to aeronautical users, full transparency and clear justification are essential, including visibility on cost drivers, efficiency benchmarks, and evidence that overheads reflect actual incremental costs rather than a general allocation.

IATA and the airline community strongly encourage the Authority to maintain a strictly prudent, evidence-based approach when recognising both capital and operating costs. At a greenfield airport with significant upfront investment, it is critical that:

- Only efficient, justified and demand-timed CAPEX is admitted;
- Construction-related risk is not transferred prematurely to airlines;
- CNS/ATM cost allocations and overheads are fully validated and transparent; and
- Users are protected from cost burdens that lack clear operational need or are not reflective of actual service delivery.

Applying these principles will help ensure tariffs remain both affordable and aligned with sustainable traffic development, avoiding unnecessary front-loading of costs onto early operators during DXN's ramp-up phase.

Specifically, in relation to the information provided in the consultation document, the following points should be considered:

Clause 5.1.9	The masterplan drawing here is at variance with what has been provided by the airport for the first phase of operation. The masterplan shows 2 line-up points and 2 RETs, what has been delivered is 3 line-up points and 1 RET. The airport has also built extensive taxiway stubs for 2 more line-up points and 2 more RETs. The airport has also developed a full-length parallel taxiway, but the masterplan shows that this parallel taxiway should not be provided at the apron area. It is recommended that the extra areas of earthworks and pavement that have been provided should not enter the RAB until they are needed by the ATM demand on the airport especially the taxiway stubs. These are considerable areas of extra earthworks and pavement that are not required for the phase 1 operation.
Clause 5.3.80	IATA would support the proposal to not include the Rs. 8.47 crores as currently stated this piece of construction would need to be constructed either way if the EPC-2 contractor delivered it or as what happened NHA delivered the project.
Clause 5.3.107	IATA supports the variance proposed by the authority for the BHS system if the delay is caused by the EPC contractor, then they should bear the cost. IATA would ask that all the allowance for the full body scanners should be removed as it appears it will not be deployed at the airport within the control period.



<p>Clause 5.3.112</p>	<p>IATA would ask the authority when considering this extra cost of piling due to poor soil conditions and extra structural steel due to being a seismic zone with the lower cost of construction for an extensive portion of the terminal area, the forecourt area is open with an area of circa 26,000m². This area should have a lower per square meter construction cost compared to enclosed areas of the terminal building. It should also be noted that these conditions should have been within the original scope for the construction of the terminal as part of site investigations for the project. These conditions should have been part of the tender information and should have been priced appropriately by the EPC contractor.</p>
<p>Clause 5.3.148</p>	<p>In relation to the sewerage treatment plant and the water treatment plants, what is the sizing of these facilities? Are they currently sized for the Phase 1 horizon or are they currently sized for a horizon beyond this? If they are oversized for the demand of the current control period, then a portion of the CAPEX should not enter the RAB until the demand has been realized.</p>
<p>Clause 5.3.162</p>	<p>Does the boundary wall not also enclose non-aeronautical areas and will function as protection for these areas too? There should be a portion of the boundary wall proposed to be non-aeronautical and not enter the RAB.</p>
<p>Clause 5.3.167</p>	<p>IATA does not agree with the proposal to recover either the capital or operating costs of a segregated, stand-alone VVIP terminal from general airport users. Requiring airlines and passengers to fund such costs is fundamentally inconsistent with the established regulatory principles of user-pay and cost-relatedness that underpin the setting of aeronautical charges.</p> <p>The proposed approach would result in commercial airport users subsidizing infrastructure that is neither required for, nor directly related to, the provision of aeronautical services to them. Allowing such cost recovery would set a highly concerning precedent, opening the door for the cross-subsidization of unrelated or discretionary investments through aeronautical charges, contrary to sound economic regulation and ICAO's charges principles, which require that costs included in the airport charging base relate to services provided to airlines and passengers generally. This position is also consistent with AERA's statutory mandate under Section 13 of the AERA Act, which limits recoverable aeronautical costs to those incurred for the provision of aeronautical services to airlines and passengers generally, and seeks to avoid cross-subsidization of exclusive or protocol-driven facilities by the wider user base.</p> <p>A VVIP terminal is a special-purpose, protocol-driven facility serving a limited and exclusive user group. It does not form part of the core aeronautical infrastructure necessary for the provision of standard airport services to airlines and passengers generally. Commercial airline operations derive no operational, service quality, capacity, or efficiency benefit from such a facility. Accordingly, the costs associated with a stand-alone VVIP terminal do not meet the criteria for inclusion within the regulated aeronautical cost base.</p> <p><u>For these reasons, IATA does not agree with the proposal to include the capital costs of the VVIP terminal in the RAB, nor the recovery of any associated operating costs required to support or enable the VVIP facility through regulated aeronautical charges.</u></p>
<p>Clause 5.3.171</p>	<p>It would be common practice the Fixed Electrical GPU (i.e. that comes from the power grid and PCA that is provided on aprons through non-movable units connected to the power grid) is provided by the airport and is charged by them either through a general fee for using the stand or specific to these facilities. Movable GPU units and PCA units are usually the property of the ground handler and are charged through their fees for their services.</p>
<p>Clause 5.3.178</p>	<p>The 33 kV network will service aeronautical and non-aeronautical elements of the project and should be distributed across both asset types.</p>



Clause 5.3.182	IATA supports the Authority, stating that these augmentation projects need to follow the consultation process, and we hope that the airport will follow this process to keep stakeholders informed. In relation to the statement by the airport that they are expecting to expand apron and pier facilities within the period to handle greater than 12mppa, does this mean that the terminal head house and the taxiway and runway infrastructure are oversized for the phase 1 development? Does this mean that a portion of these assets should be retained from entering the RAB until the capacity being provided is being utilized?
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5. Non-aeronautical Allocation and Hybrid Till Treatment

The CP confirms that DXN will operate under the Hybrid Till framework, under which 30% of non-aeronautical revenue (NAR) is applied as a cross-subsidy toward aeronautical charges. While this framework is well understood, its effectiveness during the early years depends critically on the actual scale and composition of NAR.

In practice, non-aeronautical revenues will be structurally low during the initial years, increasing only as the airport matures and commercial activities stabilize. Meanwhile, YIAPL's MYTP reflects optimistic NAR growth assumptions, driven by expectations around passenger spend rates, premium-product penetration, and rapid commercial ramp-up. These assumptions may not fully account for the behaviour of passengers and concessionaires in a new dual-airport environment where catchment and footfall require time to establish.

Given these realities, the effective NAR cross-subsidy in the early years will be low/modest, irrespective of the headline 30% Hybrid Till factor. At the same time, City-side development revenues are explicitly excluded from NAR under the Concession Agreement and AERA's framework, and therefore cannot contribute to the Hybrid Till cross-subsidy. This exclusion further reduces the effective offset to aeronautical charges and weakens the intended policy impact of Hybrid Till during the initial years of DXN's operation.

As a result, a large share of the total cost base falls on aeronautical users in the early years, making accurate and conservative asset allocation essential.

Specifically, in relation to the information provided in the consultation document the following point should be considered:

- Clause 5.4.4 IATA would support an adjustment to the allocation ratio but would suggest that a higher non-aeronautical to aeronautical ratio be considered than the proposed 12:88. It is in the airports best interest to develop non-aero areas to derive a greater portion of non-aero revenue for the airport. The regulation is designed to encourage the development of non-aero business with the hybrid till structure. As non-passengers are not allowed into the terminal building at Indian Airports (Hyderabad and Bengaluru for example) have extensive non-aero facilities outside the terminal building for well-wishers. The large, covered forecourt area is ideal for the development of non-aero commercial areas. As the airport is a significant distance from Delhi it is likely there will be a large portion of well-wishers that would use these facilities if provided. They also have a significant percentage of non-aero areas within the terminal building with departures and arrival commercial areas.

The Concession Agreement for YIAPL prescribes a Hybrid Till framework for tariff determination. However, the adoption of a specific till methodology has historically been influenced by policy considerations, including the Ministry of Civil Aviation's emphasis on ensuring reasonable user charges and reducing the burden on passengers.

While the National Civil Aviation Policy (2016) provides for future tariff determination to be undertaken on a Hybrid Till basis with 30% of non-aeronautical revenue utilized for cross-subsidization, all parties concerned also recognize that under the Single Till approach, non-aeronautical revenues are fully offset against the aeronautical



cost base, resulting in lower aeronautical charges and more efficient pricing outcomes for airport users. Single Till has been regarded by ICAO and other international bodies as aligned with the objective of reducing the burden on end-users by enabling full cross-subsidisation from commercial revenues, thereby keeping aeronautical tariffs at efficient levels.

In this context, and without prejudice to the provisions of the Concession Agreement, YIAPL may evaluate the merits of voluntarily adopting elements of a Single Till approach in the first control period, to the extent that such an approach enhances tariff stability, supports traffic growth, and remains consistent with overall financial sustainability.

Any such voluntary consideration by YIAPL shall be subject to regulatory scrutiny, particularly in relation to ensuring cost-relatedness, transparency in revenue allocation, and consistency with contractual obligations. AERA may, where appropriate, consider submissions from YIAPL on this matter during the tariff determination process, provided that such submissions are duly substantiated and do not prejudice the regulatory framework or consumer interest.

6. Aeronautical Allocation Ratios

The CP applies aeronautical allocation ratios that are, in many cases, between 88% and 100% for major asset categories such as the terminal, support facilities, and utilities. While the predominantly aeronautical nature of Phase 1 infrastructure is acknowledged, some areas of the terminal and support facilities do provide a mixed-use or commercial function and may reasonably support a lower aeronautical allocation than currently assumed.

IATA therefore encourages the Authority to further review and rationalize the applied allocation ratios, particularly for terminal, support facility, and utility assets, to ensure that:

- Common or mixed-use areas are apportioned using transparent, evidence-based allocation keys, reflecting actual usage patterns rather than defaulting to high aeronautical ratios;
- Common or commercially relevant spaces are appropriately apportioned; and
- Aeronautical users are not over-burdened during the greenfield ramp-up period.

Improving allocation discipline in this way would help moderate early-year aeronautical charges, enhance affordability, and support sustainable traffic development.

The airline community also acknowledges that YIAPL has not adopted mechanisms such as Minimum Service Agreements or other artificial arrangements that could depress NAR. This is the correct approach, otherwise it will artificially reduce the 30% Hybrid Till NAR cross-subsidy and unintentionally increase pressure on aeronautical tariffs. Maintaining the integrity of NAR is therefore important for ensuring a balanced and efficient Hybrid Till outcome.

7. Tariff Structure, Annual Escalations and Variable Tariff Plan (VTP)

The ATP proposes year-on-year increases across all major aeronautical charges. For example, landing charges for domestic aircraft below 100 MT increase from INR 760 per MT in FY27 to INR 889 per MT in FY31, while UDF rises more sharply for both domestic and international passengers over the Control Period. The ATP also introduces a 10-times penalty multiplier on parking charges for aircraft exceeding authorized parking duration, a measure that may prove overly punitive during DXN's early operational stabilization phase.

The ATP additionally sets out a Variable Tariff Plan (VTP) for both domestic and international services, with eligibility dependent on minimum operational thresholds:

- For domestic flights, the VTP applies solely to landing charges, with benefits provided retrospectively through year-end credit notes.
- For international flights, the VTP includes more restrictive conditions such as minimum weekly departures on routes up to 4,500 km and offers upfront UDF discounts where airlines meet the criteria.



However, the proposed ATP does not specify how VTP discounts will be funded. Given the Hybrid Till framework, where 30% of NAR offsets aeronautical charges, clarity is essential to ensure that VTP incentives do not result in unintended cross-subsidisation between user groups, nor dilute the limited NAR cross-subsidy available in the early years. Greater transparency on the funding source, financial impact, and accounting treatment of these incentives would help ensure that tariff design remains equitable, efficient, and consistent with AERA's regulatory principles.

8. Transparency, Monitoring and True Up Discipline

The CP notes that several elements of the tariff framework, including traffic volumes, aeronautical capitalization, efficiency of expenditure and certain operating costs, will be reviewed or trued-up at the time of determining tariffs for the next Control Period. Given that DXN is a greenfield airport with significant upfront CAPEX and uncertain early years traffic, both AERA and users must have visibility on how these elements will be monitored, validated, and reconciled over time, which is critical for ensuring predictability and safeguarding user interests.

In this context, IATA considers it important that the final tariff order set out the principles, methodologies, and evidence requirements that will guide true-up assessments. This would help ensure that:

- Only efficient and prudently incurred costs are admitted for recovery, with proper justification and benchmarking.
- Demand-linked capitalization is treated consistently, so that users do not bear the cost of assets that are underutilized or commissioned ahead of requirement.
- Traffic-related variances are reconciled transparently, with clear rules on how shortfalls or surpluses will be carried forward.
- Operating-cost variances, particularly items with embedded assumptions (e.g. utilities, contracts, overheads) are subject to documented scrutiny rather than automatic pass-through.
- Reporting and disclosure requirements are defined upfront, enabling ongoing monitoring by all stakeholders during the Control Period.

Providing this clarity in the final order would strengthen the transparency and credibility of the tariff framework, ensure consistent treatment across Control Periods, and give both airlines and the airport operator the predictability needed for effective long-term planning.

IATA appreciates the opportunity to contribute to AERA's consultation on tariff determination for DXN's First Control Period. We value the Authority's systematic and consultative approach and look forward to continued engagement as DXN transitions from construction to operations. We welcome the Authority's openness to stakeholder input and encourage continued vigilance in ensuring that the emerging regulatory framework remains cost-disciplined, transparent and aligned with the needs of airlines and passengers. IATA and its member airlines remain committed to supporting a growth-oriented regulatory framework that enables DXN to succeed as a second hub airport for the NCR.

Yours sincerely,

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

Amitabh Khosla

Country Director – India

Email: khoslaa@iata.org

cc: Richard Tan, Senior Manager, Airport and ANSP Charges, IATA Asia Pacific