Reference: RTJ2026/024 17 April 2026

Mr. Ram Krishan
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Airport Economic Regulatory Authority
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Dear Mr. Ram Krishan,

IATA RESPONSE ON DETERMINATION OF AERONAUTICAL TARIFF FOR NAVI MUMBAI INTERNATIONAL AIRPORT (NMI), FOR THE FIRST CONTROL PERIOD

The International Air Transport Association (IATA) is the global trade association for the airline industry, representing over 370 airlines carrying over 85% 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 No.08/2025-26 dated 17.03.2026 and recognizes the Authority's detailed efforts in reviewing the Multi-Year Tariff Proposal (MYTP) and the supporting submissions from the Airport Operator. IATA offers the following comments for the Authority's consideration:

1. Traffic Realism and Affordability During Greenfield Ramp-up

IATA notes that the Authority has appropriately revised NMI's traffic projections to reflect the delayed Commercial Operations Date (COD) of 25 December 2025, including prorating domestic traffic for FY 2025–26 to a truncated three-month operational period and assuming commencement of international operations from 01 April 2026. IATA also notes the Authority's decision not to factor Phase-III-related traffic into the current control period, given the revised construction and operational timelines.

Notwithstanding these adjustments, traffic realization in the early years remains inherently uncertain in a dual-airport system. Airline representatives present at the stakeholder consultation meeting highlighted that operating from both BOM and NMI would require parallel setups, resulting in duplicated manpower, higher operating costs, and reduced efficiency. In addition, higher charges at NMI, combined with surface access and infrastructure readiness constraints, are expected to limit the pace of traffic migration in the initial years.

IATA further notes that the traffic forecasts do not appear to fully reflect the operational capacity available within Phase I and II infrastructure. International benchmarks demonstrate that well-designed single-runway airports with multiple line-up points, high-speed exits, and no curfew can accommodate significantly higher ATM volumes than those assumed for NMI in the 2027–2030 period. In this context, there appears to be scope for delivering capacity in stages through selective operational enhancements such as additional security lanes, check-in capacity, remote stands and enabling cargo facilities, which could support continued growth and better utilization of existing infrastructure prior to full Phase-III commissioning.

We also observe that the forecasts do not explicitly reflect transfer passenger operations or the potential interaction between increased ATM capacity and cargo growth. Both factors could meaningfully influence traffic and revenue outcomes during the ramp-up phase. Where there is unserved or constrained demand within the Mumbai dual-airport system, every effort should be made to capture such demand through phased capacity enhancements, rather than deferring growth until the delivery of Phase III. Greater clarity on the assumptions underpinning the traffic projections would assist stakeholders in providing more constructive and evidence-based feedback.

In light of the above, IATA suggests that:

- Early-year traffic assumptions should be treated with caution, as they directly influence unit costs and tariff affordability during the ramp-up phase. Greater transparency of the behavioural and operational assumptions underpinning the forecasts would enable stakeholders to provide more meaningful and informed feedback.

- Where traffic forecasts are not realized, the current framework places a disproportionate share of downside risk on airlines and passengers through under-recovery being carried forward into future periods. In light of NMI's delayed COD and greenfield ramp-up, continued prudence is essential to ensure cost recovery aligns with actual traffic materialization and does not unduly burden early users.

2. Affordability and Early Year Pricing at NMI

IATA acknowledges and supports the Authority's efforts to moderate NMI's proposed cost base, including reductions to CAPEX, operating expenditures, and the Fair Rate of Return. These interventions are important and directionally appropriate. However, notwithstanding these adjustments, the resulting level of the proposed aeronautical charges at NMI in the early years, particularly landing charges and the User Development Fee (UDF), is considerably high for a greenfield airport operating alongside an established primary hub.

In the context of a dual-airport system, early-year affordability is critical to support airline entry, route development and passenger acceptance. As highlighted by airline representatives during the stakeholder consultation, elevated charges at NMI compound the cost of split operations and weaken the commercial case for shifting capacity, particularly where BOM continues to offer connectivity and capacity. Front-loaded charges during the ramp-up phase therefore risk undermining NMI's traffic build-up potential and utilization of available infrastructure/capacity.

Against this background, IATA submits that the pricing framework should place greater emphasis on affordability and demand responsiveness in the initial years' operation. In particular:

- Early-year aeronautical charges, including UDF, should be moderated to reflect the limited traffic base and the role of NMI as a secondary airport during the ramp-up phase.

- UDF levels warrant particular caution, as high passenger-facing charges in the early years can severely dampen demand and slow the development of the airport's catchment.

- Pricing should be progressively scaled with actual utilization, rather than prioritizing upfront cost recovery from a relatively small volume of early users.

A more phased and demand-aligned approach to early-year pricing would better support NMI's long-term viability and success, while remaining consistent with the Authority's mandate to protect user interests. In this regard, a key question is whether the proposed level of charges appropriately reflects the competitive outcomes that regulatory intervention is intended to replicate.

3. CIDCO's Pre-development Costs Treatment and Recovery

Given the scale and site-wide nature of the enabling works undertaken prior to the commencement of airport operations, their proposed regulatory treatment raises important questions regarding the appropriateness of inclusion in the Regulatory Asset Base (RAB), the application of return, allocation between user groups, and the timing of cost recovery, especially during NMI's early, low-traffic years.

The Consultation Paper (CP) states that NMIAL has submitted a total cost of ₹5,664 crore towards site preparation and earthworks, comprising ₹3,747 crore attributable to pre-development works undertaken by CIDCO and ₹1,917 crore attributable to site preparation and earthworks undertaken by NMIAL. The Authority further notes its proposal to consider land development costs for the entire site area of 1,160 hectares, subject to further analysis. In parallel, the CP records that CIDCO is entitled to a premium of 12.60% of Gross Revenue, in addition to other concession-linked compensation mechanisms.

In this context, any front-loaded recovery of such a substantial enabling cost base, particularly if combined with a full RAB-style regulatory return, risks placing a disproportionate burden on a limited initial traffic base. This would undermine affordability and demand stimulation during the greenfield ramp-up phase, at a time when traffic growth and route development should be actively supported.

In addition, based on the cost values shared in the Consultation Paper, IATA notes that the inclusion of CIDCO's pre-development costs in the RAB would have a material impact on the Aggregate Revenue Requirement (ARR) from COD onwards. On an indicative basis, allowing a regulatory return in the order of prevailing rates (in excess of 9% per annum) on a capital base of ₹3,747 crore would result in several hundred crore rupees per year being added to the ARR in the early years of operation, even before depreciation is taken into account. How such an amount is subsequently translated into specific tariff elements (whether through landing and parking charges or through UDF), would depend on the Authority's final balancing approach; however, the affordability implication in a low-traffic ramp-up phase is clearly evident.

In this context, IATA requests AERA to undertake a comparative assessment of tariff and UDF outcomes under alternative regulatory treatments of CIDCO's pre-development costs, including a scenario in which such costs are treated strictly as a soft loan or debt-like obligation, excluded from the RAB and not allowed to earn a regulatory return, as compared to inclusion in the RAB. If this assessment can kindly be also carried in the final order, this would provide transparency on the extent to which early-year tariffs and UDF levels are being driven by the regulatory treatment of these enabling costs. This may also assist AERA in calibrating affordability outcomes during NMIA's initial years of operation.

IATA does not contest the permissibility of recognizing such costs for tariff determination. However, we implore AERA to reconsider including the pre-development costs in the Regulatory Asset Base (RAB) and ensure proper treatment of the pre-development costs for the reasons provided below:

- It is necessary to clarify that **not all capital expenditure automatically qualifies for inclusion in the RAB.** Pre-development works are foundational and enabling in nature, intrinsic to the creation of the airport itself and do not represent depreciable assets with a clearly defined useful life. Assets included in the RAB get depreciated for their asset life – this clearly does not apply to the pre-development works, as there is no asset life associated with them.

- A material portion of the pre-development works is site-wide in character and enables not only Phase I and II aeronautical operations, but also future phases of development and city-side and commercial activities across the 1,160-hectare site. These are enabling investments provided by the concession authority and should not be treated as aeronautical-specific investments/costs only.

- The Concession Agreement explicitly characterizes these pre-development costs as a soft loan extended by CIDCO. The ₹3,747 crore investment was incurred and funded by CIDCO, not by NMIAL, and therefore does not constitute risk capital contributed by the regulated entity, NMIAL. As such, the expenditure does not meet the fundamental regulatory test for inclusion in the RAB, namely for assets that reflect capital at risk for which the regulated entity is entitled to earn a return.

12.9.7	Pre-Development Works	Assets forming part of the Pre-development Works and financed by the Soft Loan shall be considered as part of the CAPEX for the purposes of the determination of Aeronautical Charges by AERA.
Schedule G S No. 3	Scheduled Completion Date	The Scheduled Completion Date of phase I shall occur on 1,245th day from the Appointed Date.

- As stipulated in the Concession Agreement, the applicable interest rate on CIDCO's pre-development costs is 0%. Allowing this expenditure to earn a regulatory return through RAB inclusion would be inconsistent with the agreed default financing structure and would effectively convert a zero-cost soft loan into interest-bearing capital recovered from airport users. This outcome would be neither economically justified nor aligned with regulatory principles and user protection.

2.2.9 Asset forming part of the Pre-development Works and financed by Soft Loan shall be considered as part of the capital expenditure for the purposes of the determination of the Aeronautical Charges. The interest on Soft Loan, pertaining to Pre-development Works inside and outside the Site to the extent it is pa.rt of the mandated cost under the Concession Agreement, will be taken into calculation of FRoR at:

(a) 0% cost of capital, if no interest is payable/ paid by the Concessionaire to the Authority on the Soft Loan, and

(b) the applicable rate of interest as may be payable/ paid by the Concessionaire to the Authority on exercise of optional deferment of the linkage date for the repayment of the Soft Loan as per proviso (ii) to clause 12.9.6 of the Concession Agreement to keep the net present value of the Soft Loan as on the Appointed Date, for determination of the Aeronautical Charges.

2.2.10. Incremental capital costs, if any, borne by the Concessionaire for Land Development Works for airport activities over and above the Soft Loan, to the extent required for the Project work as per the terms of the Concession Agreement, would be considered for inclusion in the regulated asset base with appropriate depreciation rate, by AERA for determination of the Aeronautical Charges."

In light of the above, IATA submits the following for AERA's consideration:

- Soft-loan Treatment (return and RAB): Given that the Concession Agreement explicitly characterizes these pre-development works as being financed by a Soft Loan, IATA submits that these costs are more appropriately treated as a debt-like obligation for tariff purposes, i.e., serviced over the concession term without inclusion in the RAB and without application of a regulatory return on capital. Recognition of an item as capital expenditure for tariff determination does not necessarily require that it earns a full regulatory return through RAB treatment, particularly for the airport operator. This is particularly relevant where the underlying financing is expressly structured as soft-loan funding at 0% interest.

- Interaction with Compensation to CIDCO: The concessioning authority receives a premium of 12.60% of Gross Revenue, which reinforces the need for caution against double compensation when determining whether and how any return is applied to CIDCO-linked pre-development costs through aeronautical tariffs.

- Allocation Aeronautical vs Non-aeronautical: Allocation of these costs between aeronautical and non-aeronautical activities should be carefully reviewed, as site preparation and land development works benefit the wider airport ecosystem and should not be loaded disproportionately onto aeronautical users, particularly where the works relate to the overall 1,160-hectare site rather than aeronautical facilities alone.

- Recovery profile: Recovery of CIDCO pre-development costs should be delayed and spread over an extended horizon, ideally aligned to the concession duration, rather than being frontloaded during the initial years of operation with such low volume. This would better align recovery with traffic materialization and utilization of the infrastructure, ensuring overall affordability and the ability to capitalize on the full growth potential of the greenfield airport.

Permitting recovery of such a large enabling cost base from day one, especially with a full RAB-style return, would materially limit the Authority's flexibility to manage affordability outcomes in the crucial early years, even where other cost-optimization measures are applied by the Authority.

A conservative, back-ended recovery approach, combined with soft-loan servicing treatment (rather than RAB inclusion), would better preserve affordability, align recovery with actual utilization, and support sustainable traffic growth over the long term.

4. Related-party Arrangements and Non-aeronautical Revenue Outcomes

IATA notes that the Authority has applied probity and process safeguards to related-party transactions, including requirements around competitive bidding, oversight and governance approvals. While these measures are important for ensuring procedural integrity, they do not, on their own, address the economic outcomes of such arrangements, particularly under a Hybrid Till framework where non-aeronautical revenues play a critical role in moderating aeronautical charges..

The extensive use of a Master Services / Master Concession structure with group entities across multiple non-aeronautical verticals creates a risk that commercial value is captured outside the regulated airport SPV. IATA stays particularly concerned with the lack of transparency and potential conflicts of interest on account of the use of Master Concession structures by the airport operator – including the artificial lowering of non-aero revenue contribution through use of such structures. IATA has highlighted its serious concerns on this issue in other previous consultations as well where similar Master Concession structures have been used by the airport operator – and would once again strongly urge AERA's close scrutiny / disallowance. This directly affects the level of non-aeronautical revenue recognised for tariff purposes and weakens the intended cross-subsidy under the Hybrid Till, contrary to the intent of the National Civil Aviation Policy 2016 (NCAP). These concerns are reflected in specific arrangements disclosed in the consultation material, including ground handling services where the revenue share structure appears skewed (0% for domestic operations versus approximately 9% for international).

In this context, IATA submits that:

- Process compliance alone is insufficient where related-party structures can materially influence non-aeronautical revenue outcomes at the airport SPV level.

- The current arrangements risk naturally deflating non-aeronautical revenue recoveries, thereby reducing the contribution of non-aeronautical activities towards subsidization of aeronautical charges.

- Greater scrutiny of revenue-sharing terms and economic substance, in addition to tender process compliance, is warranted to ensure that non-aeronautical revenues are not artificially suppressed through intra-group arrangements.

A stronger focus on economic outcomes is essential to preserve the integrity of the Hybrid Till framework and to avoid unintended upward pressure on user charges. Airports are regulated precisely to promote operational efficiency and cost-effective outcomes, and this principle must remain central to AERA's assessment.

Accordingly, AERA should base its analysis on the intrinsic growth potential of non-aeronautical revenues, independent of any commercial arrangements entered into by NMIAL (by their own choice) with its master services concessionaire. Such arrangements are immaterial to the regulatory assessment and to users. While it is entirely within NMIAL's commercial prerogative to structure its non-aeronautical operations as it sees fit, the consequences of any revenue leakages, inefficiencies, or underperformance arising from these arrangements should not be borne by aeronautical users through higher charges.

5. Capital Expenditure (CAPEX), Phasing and RAB

IATA welcomes the Authority's decision to exclude Phase-III CAPEX from the Regulatory Asset Base in the current control period. This is an important safeguard, recognizing that large-scale capacity additions should be admitted for recovery only when there is clear evidence of demand materialization and operational use.

At the same time, the consultation material and stakeholder discussions highlight several CAPEX-related risks across phasing, allocation and timing of recovery. In particular, there is a risk that capacity is delivered in large step-changes rather than incrementally, and that costs associated with future development phases are recovered prematurely from early users.

IATA submits that capacity development at NMI should follow an incremental, constraint-based approach, rather than a single step-change from Phase I/II to full Phase-III scale. Different components of the airport system, including runway and taxiway capacity, stand availability, terminal processing, security and immigration, cargo facilities and landside access, will reach saturation at different points in time. Selective enhancements within existing Phase I and II infrastructure could therefore support continued growth during the 2027–2030 period, prior to full Phase-III commissioning, while avoiding premature capital recovery.

IATA further notes that some of the works proposed for inclusion in the regulated capital base are site-wide or phase-enabling in nature, with benefits extending beyond the current control period or serving both aeronautical and non-aeronautical activities. To the extent such works support future development phases, entry of the associated costs into the RAB should be aligned with the commissioning and utilization of the related capacity. This approach would better associate cost recovery with actual use, protect early users from paying in advance for future infrastructure, and reinforce regulatory discipline.

In developing Phase-III investments, IATA strongly encourages proactive and ongoing engagement with the airline community on the phasing, prioritization and timing of individual capacity elements. Such engagement would help ensure that infrastructure is delivered efficiently, in line with realized demand, and that capital recovery outcomes remain proportionate and cost-related.

In addition to the principles set out above, IATA has identified several clause-specific technical observations in the Consultation Paper that are relevant to ensuring efficient investment and appropriate cost recovery. These are summarized below for the Authority's consideration:

CP Reference	Airport Proposal	Observation and Regulatory Significance
Chapter 4 – Tables 11 & 12 (Traffic & capacity)	Capacity expansion is largely deferred to Phase III	The traffic and capacity framework does not fully reflect the operational potential of Phase I and II infrastructure. International benchmarks show that single-runway airports with multiple line-up points and high-speed exits can accommodate substantially higher ATM volumes than assumed for NMI in the 2027–2030 period. This creates a risk of overstating capacity constraints and underutilizing existing assets. Therefore, IATA submits that airfield capacity assumptions should be reassessed prior to new runway delivery.

Chapter 4 – Traffic forecasts	No explicit provision for transfer passengers	Transfer passengers do not appear to be reflected as a demand segment in the traffic forecasts. Excluding this segment risks understating achievable traffic volumes and inflating unit costs. IATA submits that the potential for transfer operations should be reconsidered as part of the forecast framework.
Chapter 4 – Table 13 (Cargo)	Cargo growth largely aligned to Phase III delivery	Cargo volumes appear conservative despite available airfield capacity prior to Phase III. This may constrain revenue development and infrastructure utilization. IATA submits that interim cargo growth potential should be assessed in line with achievable ATM levels before Phase III commissioning.
Table 25 – Site-wide enabling works	Full capitalization of site preparation works at COD	Portions of the site-wide works enable future phases of development beyond the current control period. Allowing the full cost to enter the RAB upfront risks premature recovery from early users. IATA submits that RAB entry for phase-enabling elements should be delayed until the associated capacity is brought into use.
Clause 5.4.4 – Site preparation allocation	Approx. 90% aeronautical allocation	Site preparation benefits both aeronautical and non-aeronautical development, including city-side and commercial areas. The proposed allocation risks overstating the aeronautical cost base. IATA submits that a lower aeronautical allocation should be considered.
Clause 5.4.4 – IT / Data centre	100% aeronautical allocation	IT and data center infrastructure typically support multiple airport functions, including commercial activities. Treating these assets as entirely aeronautical risks misallocation of costs. IATA submits that a split aero / non-aero allocation would better reflect actual use.
Table 77 – Passenger Terminal Building (PTB)	Useful life 35.5 years	The proposed useful life appears shorter than benchmarks applied at comparable greenfield airports (e.g. Noida). A shorter useful life accelerates depreciation and tariff recovery. IATA submits that useful lives should be aligned with benchmark practice.
Table 77 – Boundary wall	5-year useful life; 100% aeronautical	Boundary walls protect both aeronautical and non-aeronautical areas and typically have longer service lives. The proposed treatment risks over-recovery. IATA submits that both useful life and allocation should be reviewed and benchmarked.
Table 77 – Access road	5-year useful life	Access roads generally have longer economic lives than proposed. A short useful life accelerates recovery without clear justification. IATA submits that a longer, benchmark-consistent useful life should be adopted.
Section C – Level of Service references	Use of "LoS C / Optimum"	The terminology appears inconsistent with the updated ADRM framework, which has moved away from alphabet-based LoS classifications. While not a tariff-material issue, methodological clarity is important. IATA submits that the latest ADRM descriptors should be used consistently.

Taken together, these observations reinforce the need for a phased, demand-aligned and allocation-disciplined approach to capital investment and recovery at NMI. Addressing these issues would enhance regulatory robustness, protect early users from premature cost recovery, and support efficient and sustainable long-term development of the airport.

6. Dedicated VVIP terminal – Cost recovery and Regulatory Demarcation

IATA notes references to the development of a dedicated VVIP / protocol facility by NMI. In this context, IATA considers it necessary to draw a clear and explicit regulatory distinction between General Aviation (GA) terminals, which are commercial, fee-generating assets, and true VVIP protocol facilities, which cater exclusively to State and constitutional movements that are statutorily exempt from user charges.

AERA's established regulatory scrutiny, particularly the application of Terminal Area Ratios (TAR) and the determination of assets eligible for capitalization into the RAB, has historically applied to GA terminals on the basis that they are commercially operated facilities serving private and charter operations, generate aeronautical and non-aeronautical revenue, and are subject to commercial user charges. This regulatory rationale does not apply to a dedicated, standalone, and exclusive VVIP protocol terminal intended solely for sovereign operations (i.e. movements of Heads of State and dignitaries) and ceremonial in nature, where no commercial user charges are levied. The VVIP terminal operated by the Indian Air Force at IGI Airport provides a relevant and well-established precedent in this regard.

IATA further notes the Concession Agreement (in its clause 18.8 and 18.9) does not mandate the provision of a dedicated and standalone VVIP terminal, but a Reserved Areas within the Terminal Building under the control of government agencies; To the extent that a standalone VVIP facility is now being contemplated through the Master Plan, IATA submits that the general airport users who are now expected to pick up the costs, have not been consulted on its necessity, scope, timing, or assessment of viable and efficient alternatives. This includes whether a dedicated facility is required at all in the initial or early phases of NMI's operations, given traffic ramp-up and utilization considerations.

Where a PPP airport operator elects, or is required, to construct a dedicated VVIP protocol facility that generates no commercial revenue and serves sovereign or State requirements, strict regulatory demarcation is imperative. In such circumstances, neither the capital expenditure nor the operating and maintenance costs of these facilities should be included in the aeronautical tariff base applicable to scheduled airlines and commercial passengers. Requiring airlines and passengers to fund sovereign protocol infrastructure would be fundamentally inconsistent with the principles of user-pay and cost-relatedness that underpin AERA's tariff framework, as well as ICAO's Policies on Charges for Airports and Air Navigation Services.

7. Operating & Maintenance (O&M) Expenses

IATA is supportive of the direction AERA is taking to curb the highly inflated and overstated costs without a demonstration of efficiency. However, airlines remain concerned that the Operating and Maintenance (O&M) costs proposed for NMI during the First Control Period are disproportionately high relative to the airport's early-phase traffic and utilization profile. Despite NMI being a greenfield airport with a delayed COD and a gradual ramp-up in operations, the projected O&M cost base reflects a near steady-state structure, with high fixed and semi-fixed costs being recovered from the outset. When combined with depreciation, return on a large RAB, and concession-linked payments, these costs create significant upward pressure on aeronautical charges, directly impacting airline affordability, route viability, and demand stimulation during the airport's critical start-up phase.

We therefore urge AERA to continue applying a conservative, demand-aligned approach to O&M cost recognition and recovery. This includes maintaining strict scrutiny over manpower, utilities, repairs and maintenance, IT and digitization costs, and related-party O&M arrangements, as well as ensuring robust allocation between aeronautical and non-aeronautical activities.

Inefficiencies, commercial structuring choices, or underperformance should remain the risk of the airport operator and not be transferred to airlines and passengers. A disciplined, phased recovery of O&M costs that aligned with actual utilization rather than future capacity will be essential to preserving affordability, safeguarding the integrity of the Hybrid Till framework, and supporting NMI's sustainable traffic growth over the long term.

8. Cost of Debt – Treatment of CIDCO's Soft Loan

In the absence of detailed efficiency-based or economic justification, IATA is unconvinced of NMIAL's discretionary decision to depart from the default repayment structure applicable to CIDCO's soft loan arrangement i.e. repayment at a 0% interest rate payable on the 11th and 16th anniversaries of Phase I COD. Instead, NMIAL has elected to exercise the deferment option, under which the repayment is postponed to the 21st to 25th anniversaries with compounded interest applicable from Phase I COD.

While NMIAL has cited the need for liquidity management and alignment of repayment with later stages of demand maturity, IATA has not seen evidence demonstrating that repayment under the default option was infeasible or inefficient. Nor has NMIAL provided a comparative analysis showing that the deferment option reduces whole-of-life financing costs or produces a net benefit to users when assessed on a present-value basis.

This discretionary choice represents a material alteration to the risk and cost profile of the financing arrangement. Where the concessioning authority has provided a soft loan at zero interest, and simultaneously benefits from a 12.6% share of gross airport revenues irrespective of profitability, any departure from the default repayment option should be supported by robust evidence demonstrating that such a choice is efficient, unavoidable, and in the long-term interest of users. It is not apparent why deferral with compounding, an option that inflates the nominal debt obligation over time, would be preferable to timely repayment on concessionary terms.

From a regulatory perspective, it is critical to distinguish between exogenous financing constraints and discretionary financial structuring decisions taken by the concessionaire. IATA respectfully submits that maintaining consistency with regulatory precedent requires that costs arising from discretionary financing choices be treated with appropriate scrutiny and not presumed to be fully recoverable from users.

If the deferment option was exercised primarily to enhance cash flow flexibility or to reduce near-term financing pressure for NMIAL, then the resulting increase in long-dated debt liabilities cannot reasonably be treated as a risk borne solely on behalf of users. Rather, it reflects a conscious commercial trade-off whereby NMIAL benefits from delayed repayment in the early and mid-life of the concession in exchange for higher liabilities in later years.

In this context, permitting the full pass-through of inflated future repayment obligations, while at the same time allowing a FRoR that continues to assume elevated leverage or financing risk, would risk double-recovery. Users would effectively bear the cost of both:

- higher long-term debt repayments arising from the deferment decision, and
- an elevated return premised on risks that have, in practice, been mitigated through that very deferment.

Such an outcome would be inconsistent with regulatory principles.

Accordingly, IATA submits that the Authority should carefully scrutinize the motivations and implications of NMIAL's election to defer repayment with compounded interest, and ensure a transparent and principled allocation of the resulting costs and benefits. At a minimum, any upward pressure on future charges arising from the deferred repayment structure should be accompanied by commensurating downward adjustments in the allowed return, so that the overall regulatory outcome remains cost-reflective, risk-aligned, and fair to users over the life of the concession.

9. Fair Rate of Return (FRoR)

IATA is concerned that the proposed FRoR for NMIAL during the First Control Period is set at an unjustifiably high level and does not reflect the actual risk profile of the regulated aeronautical business. NMIAL operates as a regulated monopoly (despite the existence of capacity-constrained BOM and under the same ownership) under a cost-plus framework with significant regulatory safeguards, including tariff setting, depreciation, and true-up mechanisms, which substantially mitigate investor risk. Against this backdrop, the application of elevated equity risk premiums or greenfield risk adjustments risks over-compensating investors and placing unnecessary upward pressure on aeronautical charges.

IATA further submits that the principal risks cited in support of a higher FroR, namely greenfield development risk, construction complexity, and early-stage traffic uncertainty, are predominantly pre-COD risks or already addressed through other elements of the regulatory building blocks. Once assets become operational and are admitted into the RAB, construction and execution risks should no longer be reflected in the cost of capital.

Likewise, demand risk is materially limited in a regulated regime where traffic underperformance is typically mitigated through tariff rebalancing or other regulatory adjustment mechanisms, rather than being fully borne by investors. Accordingly, the residual risk profile post-COD is significantly lower or non-existent.

Applying an elevated FRoR in these circumstances would therefore risk double recovery, particularly when combined with building blocks such as accelerated depreciation, operating cost pass-through, and concession-linked or minimum-revenue-type payments. Such an outcome would be inconsistent with sound regulatory practice and the principles of cost reflectivity.

From the airlines' perspective, an elevated FRoR is particularly damaging during NMI's early years, when traffic volumes are low and costs are recovered from a small user base. A high cost of capital amplifies fixed cost recovery and increases per-passenger charges, undermining affordability, route viability, and demand stimulation at a critical stage of airport ramp-up.

IATA therefore urges AERA to recalibrate the FRoR so that it reflects only efficient, demonstrable, and residual post-COD risks, in a manner consistent with established regulatory precedent and international best practice. Such an approach would help maintain affordability for users while continuing to support NMI's sustainable long-term development. We trust that AERA, in the exercise of its mandate, will ensure that the allowed return remains appropriately aligned with the risk profile of assets once they are operational.

10. Bundling Risk and Treatment of Dual-Airport Arrangements

While not explicitly stated in the Consultation Paper, IATA understands that NMIAL has requested the bundling of BOM and NMI for tariffs determination. While IATA recognizes the strategic objective of developing NMI to meet the long-term capacity needs of the Mumbai metropolitan region, common ownership heightens the need for regulatory vigilance and not the opposite. Treating the two airports as part of a bundled economic system, explicitly or implicitly, would risk amplifying market power and could facilitate cross subsidization or risk transfer that undermines cost relatedness and tariff discipline.

The two distinct airports operate with separate concessions, cost bases and traffic profiles, and should therefore be assessed and regulated independently, irrespective of common ownership. Airline feedback during the stakeholder consultation reinforces that traffic migration from BOM to NMI is not frictionless and involves significant operational and commercial costs for carriers, including duplicated infrastructure, manpower and network risk. In this context, pricing structures or assumptions that rely on traffic redistribution between the two airports risk shifting commercial risk onto airlines and passengers, rather than reflecting market-driven airline decisions.

IATA therefore submits that:

- NMI and BOM should be treated as standalone airports for tariff determination purposes, with no assumption of economic, financial or traffic bundling, regardless of ownership structure.
- Affordability or ramp-up challenges at NMI should not be addressed through implicit cross-linkages with BOM, including tariff structures or incentive mechanisms that rely on traffic migration rather than airport-specific fundamentals.
- Where NMI faces viability challenges in its early years, these represent commercial risks inherent to the concession, which the airport operator should address through appropriate adjustments to its profit expectations, phasing of investment, and pricing strategy, rather than through mechanisms that dilute regulatory separation or shift risk onto users.

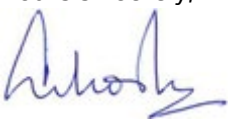
IATA submits that maintaining clear regulatory separation between the two airports is essential to preserving any remaining residual competitive environment between the two airports, preventing unintended cross-subsidization, and ensuring that tariff outcomes remain transparent, cost-related, and aligned with the Authority's statutory mandate.

Concluding remarks

In conclusion, IATA submits that tariff determination for NMI during the first control period must remain firmly anchored in realistic traffic expectations, early-year affordability, disciplined and proportionate capital recovery, and a clear regulatory separation between the two Mumbai airports. A cautious, demand-aligned approach where costs are recovered in line with actual utilization and commercial or structural risks are not transferred to early users will be critical to ensuring a sustainable and successful ramp-up of operations at this greenfield airport. Such an approach will not only safeguard affordability for airlines and passengers but also support NMI's long-term traffic development, competitive positioning, and overall financial sustainability, consistent with the objectives of economic regulation and the intent of the National Civil Aviation Policy.

IATA remains fully committed to constructive engagement with the Authority and stands ready to provide further technical input and analytical support, as required, to assist AERA in facilitating the efficient, balanced, and sustainable development of NMI.

Yours sincerely,



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