APAO response to Consultation Paper No. 02/2026-27 issued by AERA for the 4th Control Period for Rajiv Gandhi International Airport, Hyderabad (HYD) **rajan.gupta1** < rajan.gupta1@aera.gov.in >

Satyan Nayar < snayar@apaoindia.com >

Mon, 20 Jul 2026 6:47:04 PM +0530

To "RAM KRISHAN"<director-ps@aera.gov.in>

Cc "secretary"<secretary@aera.gov.in>,"rajan.gupta1"<rajan.gupta1@aera.gov.in>

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
3rd Floor, Udaan Bhawan
Safdarjung Airport
New Delhi – 110 003

Sub: Response to Consultation Paper issued by AERA for 4th Control Period
Ref: Consultation Paper No 02/2026-27 published by AERA on 19th June 2026

Dear Sir,

This has reference to the Consultation Paper No. 02/2026-27 issued by the Airport Economic Regulatory Authority (AERA) for the 4th Control Period for Rajiv Gandhi International Airport Hyderabad (RGIA) on 19th June 2026.

APAO would like to appreciate all the efforts put in by the Authority prior to issuance of the aforesaid Consultation Paper and also thank the Authority for providing APAO the opportunity to submit its comments and suggestions on the proposed positions taken by AERA in each matter.

APAO believes that the tariff determination for the 4th Control Period for RGIA assumes significant importance as it endeavours to expand its capacity from 34 MPPA to 60 MPPA by FY2031.

Given the above background, some of the proposals in the Consultation Paper, which if implemented in the final tariff order, are likely to impact the implementation of the expansion program that is currently underway to cater to the projected passenger traffic growth at RGIA.

<u>Issues of concern in the Consultation Paper</u>

1. **Maintenance, Repair and Overhaul Services (MRO) (Revenue share from Line maintenance services at RGIA):**

The Authority has considered revenue from MRO services (Revenue share from Line maintenance services provided by MRO services providers at RGIA) as Aeronautical Revenue in the CP-3 true up and CP-4. Maintenance, Repair and Overhaul (MRO) activities constitute specialized commercial and engineering services that are distinct from the core aeronautical functions undertaken by an airport operator. The airport operators neither provides MRO services directly nor incorporates such activities within the scope of its regulated aeronautical operations. The airport operator’s involvement is limited to facilitating access to land and related infrastructure, with the resulting arrangement being analogous to a commercial real estate concession rather than the provision of an aeronautical service by the airport operators itself. MRO activities are not inherently airport-specific and, in several instances, are undertaken at dedicated maintenance facilities located outside airport premises, in a manner similar to other specialized engineering and equipment maintenance services across various industries.

Given the technical and commercial nature of these activities, MRO services operate independently of the airport operator's provision of aeronautical services. Consequently, the airport operator neither exercises operational control over the maintenance activities nor possesses the technical expertise necessary to regulate the underlying service delivery. Accordingly, any attempt to subject MRO services or their associated revenues to aeronautical tariff regulation would be neither appropriate nor practicable, as these activities fall outside the scope of airport operations and are governed by specialized commercial and technical arrangements between MRO providers and their customers.

It is also important to note that under the Airports Economic Regulatory Authority of India Act, 2008 ("AERA Act") and the tariff framework prescribed thereunder, AERA's regulatory jurisdiction is limited to the determination and regulation of tariffs for aeronautical services. In this regard, it is submitted that Maintenance, Repair and Overhaul (MRO) facilities do not qualify as "aeronautical services" within the meaning of Section 2(a) of the AERA Act, which provides an exhaustive definition of such services.

The classification of MRO-related revenue as aeronautical revenue would be inconsistent with both the contractual framework governing GHIAL and the statutory provisions of the Airports Economic Regulatory Authority of India Act, 2008 ("AERA Act").

At the outset, Article 10.2.1 of the GHIAL Concession Agreement clearly stipulates that only the Airport Charges specified in Schedule 6 constitute "Regulated Charges" subject to tariff regulation. Schedule 6 exhaustively enumerates the regulated aeronautical charges, namely:

- Landing, Housing and Parking Charges (Domestic and International);
- Passenger Service Fee (PSF) (Domestic and International); and
- User Development Fee (UDF) (Domestic and International).

Notably, Schedule 6 does not include MRO charges, hangar usage charges, maintenance-related fees, or any revenue arising from MRO activities. The deliberate exclusion of MRO-related revenues from the list of Regulated Charges demonstrates the parties' clear intention that such activities remain outside the scope of regulated aeronautical services. Accordingly, the Concession Agreement does not contemplate tariff regulation of MRO services, nor does it envisage the inclusion of MRO-related revenues within the aeronautical revenue base for tariff determination purposes.

The statutory framework under the AERA Act further reinforces this position. Section 13(1)(a)(vi) of the AERA Act expressly mandates that, while determining tariffs for aeronautical services, the Authority shall take into consideration "*the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise."* Thus, the provisions of the Concession Agreement are not merely persuasive but constitute a relevant and mandatory consideration in the exercise of tariff-setting powers by the Authority.

The significance of this statutory obligation has been recognized by the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT") in its judgment dated

21 July 2023 in *Delhi International Airport Limited v. AERA*, wherein the Tribunal unequivocally held that:

> "*AERA has to appreciate the concession given by Central Government. AERA has to appreciate the same under Section 13(1)(a)(vi) of AERA Act, 2008."*

The above judicial pronouncement affirms that the Authority must accord due weight to the contractual rights, obligations and commercial framework established under the concession granted by the Central Government and cannot disregard the structure expressly agreed between the parties.

Furthermore, MRO activities are fundamentally distinct from the aeronautical services provided by an airport operator. MRO facilities are established, financed, operated and managed by specialized third-party operators under commercial lease or licence arrangements. The airport operator neither performs maintenance activities nor provides MRO services to airlines. Its involvement is limited to granting access to land and supporting infrastructure. Consequently, the revenue derived by the airport operator is essentially in the nature of commercial concession or lease income rather than consideration for the provision of aeronautical services.

Treating MRO revenue as aeronautical revenue would therefore not only be inconsistent with the express provisions of the Concession Agreement and the statutory mandate under Section 13(1)(a)(vi) of the AERA Act but would also undermine the commercial rationale underpinning investments in aviation infrastructure. Such a classification could discourage airport operators from allocating land for MRO development and adversely impact the growth of the Indian MRO ecosystem, which is presently a key national priority aimed at promoting domestic maintenance capabilities, attracting investment, generating skilled employment, and reducing dependence on overseas MRO facilities.

Further, the MRO sector in India is presently undergoing a significant growth phase, driven by rapid fleet expansion by domestic airlines, increasing aircraft movements, supportive government policies, and the strategic objective of positioning India as a global aviation maintenance hub. The development of MRO facilities requires substantial long-term capital investment, specialized technical infrastructure, and commercially sustainable lease arrangements. Any regulatory treatment that classifies MRO-related revenue use as aeronautical in nature, despite the absence of any direct aeronautical service provision by the airport operator, could adversely impact the commercial viability of existing and future MRO investments. Such an approach may constrain the airport operator’s ability to recover the opportunity cost of strategically located land, reduce incentives for facilitating MRO ecosystem development, and potentially discourage private sector participation in a sector that is critical for enhancing India's aviation self-reliance, generating skilled employment, reducing foreign exchange outflows, and strengthening the overall aviation value chain.

Accordingly, APAO would like to request AERA to consider MRO revenue to airports to be recognized as non-aeronautical revenue, distinct from regulated aeronautical services, thereby ensuring that airports remain incentivized to support MRO development while supporting the Government of India’s broader objective of establishing a robust and globally competitive MRO industry.

2. **Minimum Threshold Non-Aeronautical Revenues for True up**

AERA has proposed a minimum threshold of Non-Aeronautical Revenues of Rs 6,034.97 crores for the 4th control period and will undertake true-up only if the actual revenues exceed the minimum threshold. This proposal would have an adverse effect upon economic and viable operations of the airport.

As per Section 13(1)(a)(v) of the AERA Act, 2008, AERA must consider the revenues “received” instead of any minimum threshold revenues.

It is surprising to note that while aeronautical revenues are subject to true up based on actual traffic, the PAX traffic driven non-aeronautical revenue streams like Duty Free, Retail, Food and Beverages are not eligible for true up for traffic. It would be totally unfair and unrealistic for Airport operators to take traffic risk and therefore the current proposal in the Consultation Paper is doing the exact opposite.

We submit that the Authority should not propose something that is ultra vires to the AERA Act and should therefore allow true up of Non aeronautical revenues based on actuals in the next control period.

3. **Introduction of “Incremental ARR approach” in line with “User Pays Principle”.**

In previous control periods (for RGIA and all other major airports), the Aggregate Revenue Requirement (ARR) was recovered through a levelized tariff structure over the five-year control period.

The existing levelized tariff methodology has served the sector well over successive control periods. It enables recovery of the approved revenue requirement over the five-year control period while ensuring tariff stability and avoiding sudden tariff spikes for airlines and passengers.

The Authority’s proposal to migrate to a “user pay principle” while noteworthy, does not provide any practical solution to determine which passenger or airline has used which specific asset, in what proportion, and at what point in time. **The benefit of airport infrastructure is therefore holistic and system-wide, not asset-specific.**

Beyond the administrative complexity, it is necessary to highlight that any downward revision in tariffs is glossed over and any increase in tariffs attract higher levels of publicity– without due consideration that airport infrastructure is built keeping the long-term growth outlook.

It is also important to recognise that airport infrastructure is capital-intensive and must be developed ahead of demand. If tariff recovery is linked narrowly to the capitalisation of individual assets, it may discourage timely capacity creation and undermine the long-term planning required for a fast-growing airport such as Hyderabad. **It is also important for the Authority to ensure that there is no adverse effect on the cash flows of the Airport Operator especially during the critical construction phase.**

Further, large airport expansion programmes are typically executed through multiple packages and assets with different completion and capitalisation timelines. If tariff recovery under the User Pay Principle is linked to individual capitalisation events, airport operators may be compelled to structure capex programmes into multiple phases and seek tariff revisions for each major package upon commissioning. This would result in frequent tariff revision exercises during the Control Period, increase regulatory and administrative complexity, and reduce tariff certainty for airlines and passengers.

APAO respectfully submits that AERA should not apply this principle as the existing approach of levelized tariff through the control period is not just consistent with user fairness, it is also the most appropriate way because passengers and airlines use the airport as an integrated service.

We request that our views expressed above be taken into consideration by the Authority at the time of issuing the final tariff order.

Thanking you.

Yours faithfully,

Satyan Nayar
Secretary General

Association of Private Airport Operators (APAO)
710, 7th floor, Surya Kiran Building,
19, Kasturba Gandhi Marg,
New Delhi 110 001 India

Mob: +91 98100 49839

Web: www.apaoindia.com