



28th January, 2022

To,

The Chairperson,

Airports Economic Regulatory Authority of India (AERA)

AERA Building, Administrative Complex,

Safdarjung Airport,

New Delhi – 110003

Kind Attention: Shri. B.S. Bhullar, I.A.S

Sub: In the matter of determination of aeronautical tariffs in respect of Netaji Subhas Chandra Bose International Airport, Kolkata for Third Control Period (1st April, 2021 to 31st March, 2026)

Ref: 1. AERA Consultation Paper No. 25/2021-22 dated 29th December 2021; and
2. AERA stakeholder consultation (virtual) meeting dated 18th January 2022.

Dear Sir,

We, InterGlobe Aviation Limited (**IndiGo**), write in response to the Consultation paper No. 25/2021-22 dated 29th December, 2021 issued by the Airports Economic Regulatory Authority of India (**AERA**) in the matter of determination of aeronautical tariffs of Netaji Subhas Chandra Bose International Airport, Kolkata (**Kolkata Airport**) for the Third Control Period (1st April, 2021 to 31st March, 2026) (**'Consultation Paper'**).

At the outset, IndiGo would like to express our sincere gratitude to AERA for inviting stakeholder comments on the Consultation Paper, and further acknowledging the impact of COVID-19 on the aviation sector.

Sir, you will appreciate that while the airline operations had showed an upward trend from December 2020, however the brutal second wave of COVID-19 in March 2021 and subsequent emerging variants/wave of COVID-19 (Omicron) in December, 2021 onwards has again impacted the passenger travel and airline operations in a significant manner and resultantly prolonged the process of financial recovery.

The Consultation Paper, inter alia, propose an increase/hike in the aeronautical tariff at Kolkata Airport as mentioned under **Annex – A**. In this regard, IndiGo humbly requests AERA to not implement any increase in the aeronautical tariff in the Third Control Period and defer any increase in the same to subsequent control period, given the adverse financial impact of COVID-19 on airlines.

Without prejudice to the above, and as desired by AERA, please find attached IndiGo's recommendations/ comments on the Consultation Paper, under **Annex – B**.



We hope that your good self will positively consider such recommendations/ comments as it will help in achieving the affordability and sustainability of the airline, which is also outlined as a key objective in the National Civil Aviation Policy, 2016.

Thanking you,

Yours sincerely,

For and on behalf of **InterGlobe Aviation Limited**



Rahul Kumar
Associate General Counsel

Copy to:

Director (P&S Tariff), Airports Economic Regulatory Authority of India (**AERA**)

Annex – A
Increase in Aeronautical Tariff

Particulars	FY22 Existing rates	2022-23	2023-24	2024-25	2025-26 (till 31 Dec 2025)	2025-26 (w.e.f 01 Jan 2026 to 31 Mar 2026)
Landing Charges –						
Domestic	22497.5	23025	23550	24100	24650	20950
Variance % year on year		2.30%	2.30%	2.30%	2.30%	-15%
Landing Charges –						
International	42322.5	43300	44300	45325	46375	39425
Variance % year on year		2.30%	2.30%	2.30%	2.30%	-15%
Parking Charges – upto 2 Hours after free hours						
Domestic/ International upto 100 MT	16.7	17.1	17.5	17.9	18.3	15.6
Variance % year on year		2.30%	2.30%	2.30%	2.30%	-15%
Parking Charges – Beyond 4 Hours						
Domestic/ International	32.7	34.2	35	35.8	36.6	31.1
Variance % year on year		2.30%	2.30%	2.30%	2.30%	-15%
Aerobridge Charges						
Domestic	2315	2370	2425	2480	2535	2155
International	4631	4740	4850	4960	5075	4315
Variance % year on year		2.30%	2.30%	2.30%	2.30%	-15%
UDF Charges						



Domestic	583	595	610	625	640	545
International	1402	1435	1465	1500	1535	1305
Variance % year on year		2.30%	2.30%	2.30%	2.30%	-15%



Annex – B
Comments on the Consultation Paper (CP)

S. No.	Para	Particulars	Comments/Submission
1.	2.2.5 & 2.2.6	Revenue from Air Navigation Services and Cargo services	<p>IndiGo submits that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), “<i>aeronautical services means any services provided-</i> <i>(i) For navigation, surveillance and supportive communication thereto for air traffic management.....</i> <i>(v) for the cargo facility at an airport..</i>”</p> <p>IndiGo submits that considering the above provisions of the AERA Act, the revenue from Air Navigation Services and Cargo services which includes 100% revenue accruing to AAICLAS should be considered, instead of only 30%.</p> <p>Additionally, in respect of Cargo, it is observed as per para 3.3.28/ Table 17 of the CP, that the Cargo capital expenditure amounting to Rs. 3.03 Cr. was capitalized as a true up for Regulatory Asset Base (RAB) for the Second Control Period. it appears that AERA has considered entire cargo additions to the RAB as proposed by AAI, we would request that 100% of cargo revenues AAI/AAICLAS are taken into account for computing aeronautical revenues at Kolkata Airport.</p> <p>Accordingly, AERA should take into account the above and revise the Aggregate Revenue Requirement (ARR)/tariff card.</p>
2.	3.11.6	True Up of Second Control Period	<p>IndiGo submits that as per Table 57 of the CP, AERA has computed an under-recovery of Rs. 1727.60 Cr. as on 31st March 2022 for Kolkata Airport</p> <p>In view of the above, IndiGo submits that AERA and AAI should undertake appropriate measures that to ensure that there are no/minimal case of over recovery, which will assist in lowering of burden of tariff on airlines/passengers.</p> <p>While IndiGo appreciates that a study have been conducted by AERA on Operating Expenditure/O&M expenses, IndiGo submits that such studies should be undertaken prior to commencement of each ‘Control</p>



			Period' to minimise any large variations in projections and to ensure suitable benchmarking of costs.
3.	4	Traffic	<p>In response to para 4.2.7/Table 60 of the CP, IndiGo request AERA to kindly review the conservative traffic growth (YoY) for the FY 2024 – 2026. Any figures of lower growth may be reviewed based on a higher traffic growth proposed in the AERA Tariff Order for other airports including Bengaluru airport (Third Control Period), as deemed fit.</p> <p>Further, while IndiGo appreciates that AERA has considered various study/reports by international bodies like IATA, IndiGo requests AERA to conduct an independent study for traffic assessment, in accordance with the AERA Act.</p> <p>IndiGo further requests AERA to consider traffic growth keeping in view the removal of all capacity restrictions by the Ministry of Civil Aviation.</p>
4.	5 - 5.2.29, 5.2.78 & 5.3.4	Regulatory Asset Base /RAB: Deferred capital additions	<p>It is observed that Kolkata Airport has deferred certain capital expenditure from the Second Control Period to the Third Control Period. In this regard, IndiGo recommends that an adjustment of 1% or higher of the project cost, from the ARR, as deemed fit, is made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule, other than those affected solely by the adverse impact of COVID-19. Such adjustment can be made by AERA during the tariff determination for the Third Control Period.</p> <p>IndiGo appreciates that considering the reduced traffic owing to COVID-19, AERA has rationalised the capital expenditure and excluded certain proposed additions by AAI to RAB. However, AERA and AAI must ensure the principles of the AERA Normative order no. 07/2016-17 dated 6 June, 2016 including "value for money". Further, Kolkata Airport should ensure that non-essential capital expenditure should be put on hold or deferred, and only such capital expenditure deemed critical from a safety or security compliance perspective may be undertaken by AAI/Kolkata Airport for the time being.</p> <p>Further, as per para 5.2.78, AERA has observed that the non-aeronautical component of terminal building ratio is ranging between 5-8% as proposed by AAI/Kolkata Airport which is in contrast as per IATA and IMG norms of 8-10%. IndiGo would request AERA to conduct an independent study on the same before issuing the order for Third Control Period in order to compute the</p>

			<p>suitable/accurate ratio of terminal building to be considered for aeronautical and non-aeronautical components.</p> <p>Further, IndiGo requests AERA to conduct an independent study for allocation of assets and allowable capital expenditure in the Third Control Period in accordance with AERA Act, 2008.</p>
5.	5.2.80	Depreciation	<p>While IndiGo acknowledges the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', IndiGo requests that it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years. IndiGo submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA. AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.</p>
6.	6	Fair Rate of Return (FRoR)	<p>IndiGo submits that fixed/ assured return favours the airport operators, and creates an imbalance against the airline, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.</p> <p>Further, due to such fixed / assured returns, service provider like AAI has no incentive to look for the productivity improvement or ways of increasing efficiencies or take steps to drastically reduce costs as they are fully covered for all the costs plus their returns. Such kind of scenario may result in inefficiencies and higher costs, which are ultimately borne by the airlines.</p> <p>In view of the above, AERA is requested to immediately review WACC/FRoR by capping the returns.</p> <p>Without prejudice to the above, while IndiGo appreciates that AERA has drawn references to independent studies for FRoR conducted in case of DIAL and MIAL, AERA is requested to conduct an independent study for FRoR should be done in case of Kolkata Airport.</p>
7.	3.7 & 8	Operating & Maintenance Expenses (including True Up for Second Control Period)	<p>As per para 3.7.1 of the CP, AERA has itself have observed the inconsistencies with AAI's approach towards calculating the Operation expenditure/ operations & maintenance expenses (O&M expenses) and has made corrections for the categorisation done by AAI. Further, as per para 3.7.4 of the CP, it is stated that while determining tariff for the Second Control Period, AERA had expected AAI to lower the O&M expenses over a period. However,</p>



			<p>IndiGo observes no that such reduction in the O&M Expenses have taken place and on the contrary, as per para 8.2.13/Table 90 of the CP, there has been a significant increase in the expenses.</p> <p>In particular, IndiGo submits:</p> <ol style="list-style-type: none"> 1. It is observed as per Table 91 of the CP, 'Payroll' expense has increased with 6% every year of Third Control period along with 9-14% increase in 'Administration & General' expenses, increase ranging between 5-10% for 'Repairs & Maintenance', 'Utilities & outsourcing expenses' & 'Other outflows'. 2. AERA may advise AAI to rationalize/re-negotiate all the cost/expenditure items or heads, as deemed fit. Further, no escalations should be permitted under these items or heads. 3. Expenses on account of CSR as given in Table 18 of CP may be excluded. This will be in line with the similar treatment to CSR expenditure, given to CIAL at Cochin International Airport. <p>Accordingly, it is requested that Kolkata airport should take considerable measures to reduce such amounts as well as not increase any employee expenses & any repairs or maintenance, unless required from security & compliance point of view.</p> <p>Without prejudice to the above, while IndiGo appreciates that AERA has undertaken an independent study for Operating Expenditure/ Operations & Maintenance expenses for the Second Control Period, AERA may undertake similar independent study for the Third Control Period.</p>
8.	9	Non-Aeronautical Revenue	<p>In reference to para 9.2.5 of the CP, IndiGo appreciates increase of non-aeronautical revenue considered by AERA. However, AERA is requested to re-consider conducting a detailed scrutiny by way of an independent study to considered a higher amount of Non – Aeronautical revenues for the Third Control Period.</p> <p>Without prejudice to the above, IndiGo submits that:</p> <ol style="list-style-type: none"> 1. Higher non aeronautical revenues should be considered in view of increase in capital for terminal building enhancement as well as terminal building capacity ratio.,



			<p>Non -Aeronautical revenue is a function of passenger traffic growth, inflationary increase and real increase/escalations in contract rates. AERA to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires.</p> <p>2. 'Royalty' is in the nature of market access fee, charged by the services providers under various headings. These charges are passed on to the airlines by the service providers. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. In view of the above, we urge AERA to abolish such royalty which may be included in any of the cost items.</p>
9.	2.2.2	Methodology for Tariff Determination – Hybrid Till Vs. Single Till	<p>IndiGo submits that in the CP, it is stated that the AERA shall determine tariffs for using the 30% Hybrid Till model including for true ups as applicable.</p> <p>It is to be noted that IndiGo (including through Federation of Indian Airlines) has from time to time, advocated the application of a Single Till model across the airports in India. IndiGo submits that AERA should adopt Single Till basis across all Control Periods, including by way of true up, in view of the following legal framework:</p> <p>In the Single Till Order, AERA has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the AERA has, inter alia, in its Single Till Order:</p> <ul style="list-style-type: none"> (i) Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements. (ii) Considered the legislative intent behind Section 13(1)(a)(v) of the AERA Act. (iii) Concluded that the 'Single Till' is the most appropriate for the economic regulation of major airports in India. (iv) The criteria for determining tariff after considering standards followed by several international airports (United Kingdom, Australia, Ireland and South Africa) and prescribed by ICAO.

			<p>Further, AERA in its AERA Guidelines (Clause 4.3) has followed the 'Single Till' approach while laying down the procedure for determination of ARR for Regulated Services.</p> <p>The fundamental reasoning behind 'Single Till' approach is that if the consumers/passengers are offered cheaper air-fares on account of lower airport charges, the volume of passengers is bound to increase leading to more foot-fall and probability of higher non-aeronautical revenue. The benefit of such non aeronautical revenue should be passed on to consumers/passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be considered by the AERA.</p>
10.	13, 14 & Annexure – II	<p>Aggregate Revenue Requirement/Aeronautical Revenue.</p> <p>UDF charges.</p>	<p>(i) <u>Overall Tariff/ARR</u></p> <p>AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned under Annex – B, which is likely to reduce the ARR of AAI. This will further ensure the lowering of tariff including UDF, which will be beneficial to passengers and airlines.</p> <p>(ii) <u>Collection Charges</u></p> <p>IndiGo would like to invite AERA's attention to para 17.2.4 of Annexure - II of the CP. As observed rate of collection of UDF charges has not been clarified. We understand that such rate of Collection Charges (being clarified in other Consultation Papers/CP is Rs. 5 (Rupees five only) per departing passenger. We request that the same is clarified in the Tariff Order for Kolkata Airport.</p> <p>We further request that the Collection Charges the entitlement for airlines, should be against AAI having received the 'undisputed' invoiced UDF amount with the applicable due date.</p> <p>(iii) <u>Shrinkage in Control Period</u></p> <p>IndiGo submits that the Hon'ble TDSAT Order dated 16 December, 2020 for BIAL stated as follows: <i>'100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the</i></p>

			<p><i>burden of recovery is spread over the entire period for which the order is passed...'</i></p> <p>In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order for AAI, Kolkata Third Control Period will now be issued after the commencement of the Control Period i.e. 1 April, 2021.</p> <p>(iv) <u>No compensation to AAI – Exemption of Landing Charges for aircraft less than 80 seats (Para 14.2.8 to 14.2.11 of the CP)</u></p> <p>IndiGo submits that the issue raised by M/s. Spice Jet relating to an apparent excess billing of landing charges by AAI (amounting to Rs. 2.80 Cr.), pertaining to aircraft with a maximum certified capacity of less than 80 seats, during the First Control Period, is a bilateral issue between M/s. Spice Jet and AAI, and as such should be dealt between the said parties.</p> <p>In view of the above, IndiGo submits that AERA should not allow any compensation to be paid to AAI, including by way of adjustment in ARR (in the Third Control Period), for rectifying/reversing any excess billing by AAI in the First Control Period. AERA will appreciate that any such adjustment to ARR leading to an increase in tariffs, will unfairly burden the airlines and passengers at Kolkata Airport during the Third Control Period.</p>
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