FEDERATION OF INDIAN AIRLINES

Federation of Indian Airlines
E-166, Upper Ground Floor,
Kalkaji,
New Delhi - 110019.
Website: www.fiaindia.in

MOST URGENT &
IMMEDIATE

02 August 2023

To,
The Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi- 110 003.

Kind Attention – Shri. Balwinder Singh Bhullar Ji

Sub: Response to the AERA Consultation Paper No. 04/2023-24 dated 05th July 2023 on determination of Aeronautical Tariff for Srinagar International Airport, Srinagar for the Third Control Period (01.04.2021 – 31.03.2026)

Ref: *AERA stakeholder consultation (virtual) meeting dated 19th July, 2023.*

Dear Sir,

We, the Federation of Indian Airlines ('**FIA**") (on behalf of our members, IndiGo, SpiceJet, Go First and Air India), write in response to the Consultation Paper No. 04/2023-24 issued by the Airports Economic Regulatory Authority of India ("**AERA**" or "**Authority**") in the matter of determination of Aeronautical Tariff for Srinagar International Airport, Srinagar ("SIA") for the Third Control Period (01.04.2021 – 31.03.2026) ('**Consultation Paper**' or '**CP**').

At the outset, we would like to express our sincere gratitude to AERA for inviting stakeholder comments on the CP and conducting the Stakeholder consultation meeting on 19th July 2023.

Sir, you will appreciate that airlines which are the 'catalyst' for the global economy including the aviation sector, have been adversely impacted due to significant headwinds, including but not limited to, hostile financial environment of the economy, instability due to geo-political reasons, fallout of devastating COVD-19 pandemic, significant global supply chain issues, increase in the price of Aviation Turbine Fuel (ATF), limited financial support from the government, limited capacity of customer to pay, and fluctuation in foreign exchange *etc*.

It may be noted that the major Indian Airlines incurred a loss of approximately Rs. 11,658 Crores in FY 2021-22 (Ref: MoCA response to the Lok Sabha unstarred Q.No.201) and as per the DGCA, all scheduled Indian carriers made a loss of Rs. 14,871 Crores in FY 2020-21. According to the Investment Information and Credit rating Agency of India (ICRA) the industry is estimated to report a net loss of Rs. 110-130 Billion (approx. USD 1.4-1.6 Billion) in FY 2023(https://www.icraresearch.in/research/ViewResearchReport/5157).

Industry reports also indicate that the traffic recovery (number of flights and passengers) would take around another year or so for the airline's international flight operations to reach pre COVID-19 levels, if no other negative event occurs. On the other hand, the same report mentions that Indian Airports are expected to report significant profits in the region of USD 420 million for FY23. Customers of airlines have limited capacity to pay for the Air Fares, and when the cost of travel goes up (caused in part due to high airport operator charges), the air traffic goes down, leading to further losses and financial crisis for airlines, which may be feared due to recession.

The CP proposes a significant increase in the aeronautical tariffs of SIA by AERA as mentioned under **Annex – A**, AERA is kindly requested to take note of our observations mentioned therein. In this regard, we humbly request AERA not to implement any increase in the aeronautical tariff in the Third Control Period and defer any increase in the same to subsequent control period, if any, given that any increase in tariff will adversely impact the demand for air travel. Without prejudice to the above, we request AERA to kindly note our submissions as mentioned under, **Annex – B** hereto and not increase any tariffs.

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.

We look forward to your continued support in these challenging times.

Thanking you in advance,

Yours Truly,

For and on behalf of the Federation of Indian Airlines,

UJJWAL DEY
Associate Director

Copy to:
Director (P&S Tariff), Airports Economic Regulatory Authority of India.

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Annex - A

Observations on proposed Tariff Card by AERA

AERA is kindly requested to take note of our observations mentioned on the proposed Tariff card.

TABLE – A

Parking Charges: (Refer Consultation Paper no 04/2023-24– Annexure II) (In Rs.)

Particulars	Unit	Existing Tariff			Proposed by AERA		
	MT	FY 2021-22	FY2022-23	FY 2023-24 Tariff w.e.f. 01.04.2023 to 30.09.2023)	FY 2023-24 Tariff w.e.f. 01.10.2023 to 31.03.2024)	FY 2024-25 Tariff w.e.f. 01.04.2024 to 31.03.2025)	FY 2025-26 Tariff w.e.f. 01.04.2025 to 31.03.2026)
PARKING CHARGES - Per Hr. per MT							
DOMESTIC & International Per Hour/MT-(Chargeable Above 2 hours)	**Upto 25 MT**	.@ Rs. 3.3 per Hour per MT	.@ Rs. 3.3 per Hour per MT	.@ Rs. 3.3 per Hour per MT	.@ Rs. 4.95 per Hour per MT	.@ Rs. 5.45 per Hour per MT	.@ Rs. 6.00 per Hour per MT
	Above 25 MT up to 50 MT	.@ Rs. 82.5 + 4.6 per hr per MT in excess of 25 MT	.@ Rs. 82.5 + 4.6 per hr per MT in excess of 25 MT	.@ Rs. 82.5 + 4.6 per hr per MT in excess of 25 MT	.@ Rs. 123.75 + 6.90 per hr per MT in excess of 25 MT	.@ Rs. 136.25 +7.6 per hr per MT in excess of 25 MT	.@ Rs. 150.00 + 8.35 per hr per MT in excess of 25 MT
	Above 50 MT up to 100 MT	.@ Rs. 197.5 + 8.9 per Hr per MT in excess of 50 MT	.@ Rs. 197.5 + 8.9 per Hr per MT in excess of 50 MT	.@ Rs. 197.5 + 8.9 per Hr per MT in excess of 50 MT	.@ Rs. 296.25 + 13.35 per Hr per MT in excess of 50 MT	.@ Rs. 326.00 + 14.7 per Hr per MT in excess of 50 MT	.@ Rs. 358.75 +16.15 per Hr per MT in excess of 50 MT

	Above 100 MT up to 200 MT	.@ Rs. 642.5 + 11.2 per Hr per MT in excess of 100 MT	.@ Rs. 642.5 + 11.2 per Hr per MT in excess of 100 MT	.@ Rs. 642.5 + 11.2 per Hr per MT in excess of 100 MT	.@ Rs. 963.75 + 16.8 per Hr per MT in excess of 100 MT	.@ Rs. 1,060.50 + 18.5 per Hr per MT in excess of 100 MT	.@ Rs. 1,166.75 + 20.35 per Hr per MT in excess of 100 MT
	Above 200 MT	.@ Rs 1762.5 + 12.4 per MT in excess of 200 MT	.@ Rs 1762.5 + 12.4 per MT in excess of 200 MT	.@ Rs 1762.5 + 12.4 per MT in excess of 200 MT	.@ Rs 2,643.75 +18.6 per MT in excess of 200 MT	.@ Rs 2,908.50 + 20.45 per MT in excess of 200 MT	.@ Rs 3,199.75 + 22.5 per MT in excess of 200 MT
Q400 Parking charges for 80 &Plus seater(Rs.)	30 MT	105.5	105.5	105.5	158.25	174.25	191.75
B737-700 (AUW 62000) (Rs.)	62 MT	304.3	304.3	304.3	456.45	502.4	552.55
B737-800 (AUW 79016) (Rs.)	79 MT	455.6	455.6	455.6	683.4	752.3	827.1
B-737-900 (AUW 74000) (Rs.)	74 MT	411.1	411.1	411.1	616.65	678.8	746.35
MAX-HGW-82000 (Rs.)	82 MT	482.3	482.3	482.3	723.45	796.4	875.55
Variance % from existing	Q-400	0%	0%	0%	50%	65%	82%
	B737-800	0%	0%	0%	50%	65%	82%
DOMESTIC & International Per Hour/MT-(Chargeable Beyond 1st 4 hours)	**Upto 25 MT**	.@ Rs. 6.7 per Hour per MT	.@ Rs. 6.7 per Hour per MT	.@ Rs. 6.7 per Hour per MT	.@ Rs.10.05 per Hour per MT	.@ Rs. 11.05 per Hour per MT	.@ Rs. 12.15 per Hour per MT

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	Above 25 MT up to 50 MT	.@ Rs. 167.50+8.90 per hr per MT in excess of 25 MT	.@ Rs. 167.50+8.90 per hr per MT in excess of 25 MT	.@ Rs. 167.50+8.90 per hr per MT in excess of 25 MT	.@ Rs. 251.25 + 13.35 per hr per MT in excess of 25 MT	.@ Rs. 276.50 + 14.70 per hr per MT in excess of 25 MT	.@ Rs. 304.25 + 16.15 per hr per MT in excess of 25 MT
	Above 50 MT up to 100 MT	.@ Rs. 390.00 + 18.00 per Hr per MT in excess of 50 MT	.@ Rs. 390.00 + 18.00 per Hr per MT in excess of 50 MT	.@ Rs. 390.00 + 18.00 per Hr per MT in excess of 50 MT	.@ Rs. 585 + 27 per Hr per MT in excess of 50 MT	.@ Rs. 643.75 + 29.7 per Hr per MT in excess of 50 MT	.@ Rs. 708.25 + 32.7 per Hr per MT in excess of 50 MT
	Above 100 MT up to 200 MT	.@ Rs. 1290 + 22.5 per Hr per MT in excess of 100 MT	.@ Rs. 1290 + 22.5 per Hr per MT in excess of 100 MT	.@ Rs. 1290 + 22.5 per Hr per MT in excess of 100 MT	.@ Rs. 1935 + 33.75 per Hr per MT in excess of 100 MT	.@ Rs. 2128.75+ 37.15 per Hr per MT in excess of 100 MT	.@ Rs. 2341.75 + 40.85 per Hr per MT in excess of 100 MT
	Above 200 MT	.@ Rs 3540 +24.80 per MT in excess of 200 MT	.@ Rs 3540 +24.80 per MT in excess of 200 MT	.@ Rs 3540 +24.80 per MT in excess of 200 MT	.@ Rs 5310 + 37.20 per MT in excess of 200 MT	.@ Rs 5841.75 + 40.90 per MT in excess of 200 MT	.@ Rs 6425.75 + 45 per MT in excess of 200 MT
Eg: Q400 parking charges for 80 & PLUS seater (Rs.)	30 MT	212	212	212	318	350	385
B737-700 (AUW 62000) (Rs.)	62 MT	606	606	606	909	1000.15	1100.65
Eg: B737-800 (AUW 79016) (Rs.)	79 MT	912	912	912	1368	1505.05	1656.55
B-737-900 (AUW 74000) (Rs.)	74 MT	822	822	822	1233	1356.55	1493.05
MAX-HGW-82000 (Rs.)	82 MT	966	966	966	1449	1594.15	1754.65
Variance % from existing	Q-400	0%	0%	0%	50%	65%	82%
	B737-800	0%	0%	0%	50%	65%	82%

TABLE B

UDF Charges: (Refer Consultation Paper no 04/2023-24– Annexure II)

(In Rs.)

Particulars	**Unit**	**Existing Tariff**			**Proposed by AERA**		
	MT	**FY 2021-22**	**FY2022-23**	**FY 2023-24 Tariff w.e.f. 01.04.2023 to 30.09.2023)**	**FY 2023-24 Tariff w.e.f. 01.10.2023 to 31.03.2024)**	**FY 2024-25 Tariff w.e.f. 01.04.2024 to 31.03.2025)**	**FY 2025-26 Tariff w.e.f. 01.04.2025 to 31.03.2026)**
UDF							
DOMESTIC	Per Departing	394	394	394	750	960	990
Variance % from existing			0%	0%	90%	144%	151%
INTERNATIONAL	Per Departing	787	787	787	1,200	1,300	1,400
Variance % from existing			0%	0%	52%	65%	78%

Refer the above displayed Tables A and B kindly note the following from the above tables:

1. Tables A: AERA has proposed to increase the Parking Charges on Q-400 (80 & above seater) and on Boeing Flights approximately to increase between 50 % to 82% from existing charges.

2. Table B: AERA has proposed an increase in the UDF between 90% to 151% on Domestic Passengers and from 52% to 78% on International Passengers for the Third Control Period.

It is in the interest of all the stakeholders that the proposed tariffs as noted above may not be implemented as the proposals are excessive. AERA is requested to reconsider the proposed tariff structure in view of the points mentioned above, as also in consideration of points as mentioned in Annex - B of this letter.

Annex - B

We humbly request AERA not to implement any increase in the aeronautical tariff in the Third Control Period. In addition, without prejudice to above, we request AERA to kindly note our submissions to the AERA C.P. No. 04/2023-24 on determination of Aeronautical Tariff for Srinagar International Airport, Srinagar for the Third Control Period (01.04.2021 – 31.03.2026):

S. No.	AERA's Proposal under each Chapter	Comments
1.	**Revenues from Air Navigation Services (ANS).**	<u>Para 3.3</u> It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), *"aeronautical services means any services provided -* *(i)For navigation, surveillance and supportive communication thereto for air traffic management.."* It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services should form part of aeronautical revenues and accordingly AERA should take into account the corresponding revenue and revise the tariff card.
2.	**True up for Second Control Period**	<u>Para 4.5.1</u> It is submitted that: (a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs. Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.

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		(b) We observe that the Fair Rate of Return of 14% provided to the Airport Authority of India ("**AAI**") is higher in comparison to some of the Airports such as Chennai and Pune. Without prejudice to (a) above, there appears no rationale to provide higher return to AAI for SIA and accordingly AERA may reduce the FRoR suitably. <u>Para 1.2.4, 4.7.4 (b), 14.2.7</u> We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the NPV of the Under-recovery of FY 2020-21, or due to interest/penalties paid to Government of India at both CHQ and RHQ levels due to various lapses/delays on the part of the Airport Operator, or due to deficiency to recover the ARR on account of higher O&M expenses projected for the Third Control Period caused due to under-recovery pertaining to the First Control Period and the Second Control Period. <u>Para 4.4.5</u> It is noted that the expansion of Terminal Building, which was initially proposed and approved in the Second control period was not undertaken and is now postponed for the Fourth control Period. As observed by AERA in para 4.4.5 of the CP, that about 84% of the approved capital expenditure was not utilized by SIA in the Second Control Period, which was part of the computed ARR at the time. We request AERA to consider implementing a 1% adjustment for the delay in this case as the Airport Operator did not implement/complete the project within the stipulated time. <u>Para 4.4.5(A1)(vi)</u> Capitalisation of Terminal Building: Based on the clarification provided under Annexure III of the CP, we request AERA that:

<table>
<tr><td></td><td></td><td>
1. The expansion of the Terminal Building has been shifted to Fourth Control Period, with revised capital expenditure, hence it should be preceded by conducting an Airport User Consultative Committee meeting.
2. AERA may allow only necessary modifications in a phased and modular manner, while taking a normative approach which matches the capacity to projected traffic as determined by AERA and which will avoid undue stress on the Airport end users.
This view is also supported by National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. Further, this view is also supported by AERA vide its Order No. 14/2016-17 dated 12th January 2017.

Considering the above points, it is stressed that the expansion of the terminal building and its capitalisation should be split into at least two (or more) control periods, as per the expected traffic trends estimated at the end of each control period., such that the end users may not bear the pain of the delayed planning of expansion by AAI.
</td></tr>
<tr><td>3.</td><td>Traffic for Third Control Period</td><td>
<u>Para 5.2.9 and Table 25</u>

While we appreciate that AERA has considered the traffic forecast data report published by ACI and IATA (refer para 5.2.7 and 5.9.8), we request AERA to kindly conduct an independent study, which may also include demand drivers that may not have been part of report issued by IATA and ACI India.

We would also like to draw the attention of the Authority, that the trends in the recent post pandemic times may not be a reasonable benchmark, whether be it of passengers or traffic, as economic factors such as inflation or market demand / prices may not continue in the same rate or trend in the future, since the recent post pandemic trends are due to unusual factors such as the geo-political causes, recent financial meltdown of banks in the USA, etc, however there have been certain increase in the load factors, post recovery of COVID-19 period.
</td></tr>
</table>

		Hence, we request that Authority may kindly take the same into consideration and appoint independent consultants to evaluate the same while finalising the projected Annual Traffic Movement and passengers.
4.	Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the Third Control Period	The entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by conducting an independent efficient study on capital expenditure, which AERA is requested to conduct. <u>Para 6.3.5, 6.3.9 and 6.3.11</u> We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13 June, 2016 in order to keep the overall cost control and efficiencies in capex projects. In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective. Refer para 4.4.5 of the CP regarding underutilization of capital expenditure, it is a reasonable submission that this does not instil confidence in the FIA member airlines towards the projected capital expenditure demanded by SIA. To avoid such situations, we request AERA to make sure, that in case, SIA wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use, as it is unreasonable to passengers to pay for services/ facilities which are not being availed by them. It would be prudent, if AERA undertakes an independent study and for allocation of assets and allowable capital expenditure in the Third Control Period in accordance with AERA Act, 2008.

		Para 6.3.9 We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule. Such adjustments should be made by AERA during the tariff determination process for the Third Control Period instead of Fourth Control Period. Para 6.3.10 AERA has proposed to consider a TBLR of 90:10 for the Third Control Period. While we agree with AERA that the non-aeronautical ratio proposed by AAI for SIA is on the lower side, we request AERA to kindly undertake detailed scrutiny examination with the assistance of an independent study to be conducted on or before the tariff determination of the Third Control Period.Para 6.4.5 Table 35 While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', 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. We submit that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.
5.	Fair Rate of Return (FRoR) for the Third Control Period	Para 7.2.5 It is observed that AERA has considered FRoR of 12.88%, which is the net of income tax return, calculated on the basis of cost of equity and debt, however, it may be noted, that AERA in the recent times, have approved lower FRoR for other AAI airports (Third Control Period), such as Chennai (11.98%) and Pune (11.68%) on the same cost of equity and cost of debt i.e., 14% and 6.21%.

		Further, it is to be noted, that while such fixed/ assured return favours the service provider/airport operators, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs. Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. Without prejudice to the above: **1)** In the present scenario any assured return on investment to any services providers like AAI, in excess of six (6) % (including those on past orders) will be onerous for the airlines, i.e., being at par with bank fixed deposits (i.e., return on investment after the income tax), based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks. **2)** In case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to the Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators. This is particularly highlighted since other AAI airports like Chennai, Kolkata and Pune have a much lower FRoR.
6.	Operation and Maintenance Expenses for the Third Control Period	<u>Para 9.2.11 (Utility Expenses)</u> While we are in agreement with AERA that AAI should increase the Power recovery charges from Concessionaires, SIA is requested to constitute a

		committee to verify the bills relating to Power expenses and submit a report on the same to AERA, for greater transparency. <u>Para 9.2.15 and Table 45 & 49</u> While we appreciate the rationalisation by AERA of each line item on the submitted O&M expenses by SIA, however at the same time, we request AERA to not provide such huge jump in (i) Upkeep Expenses; ii) Administration & General Expenses – Excluding CHQ/RHQ and upkeep expenses, and (iii) Admin. & Other Expenses – CHQ/RHQ. Further, it is submitted that, AERA in its order no.14/2017-18 dated 30th October 2017 for determining aeronautical tariff for Second Control Period ('Second Control Period Order') under *para 14.14*, had expected AAI to reduce the O&M expenses in the upcoming control periods for SIA. However, as per para 9.2.1 of the CP, it is observed that the O&M expenses for the Third Control Period are 104% higher than the O&M expenses of Second Control Period. Further, *in para 14.13* of the Second Control Period Order, AERA had proposed to undertake an independent study to assess the reasonableness of the O&M expenses, which will further be applicable for the true up process for the Third Control Period. However, no such study has been conducted to understand the incremental growth of O&M expenses. In view of the aforementioned reasons, we request AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the Third Control Period. FIA further submits that while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not be prudent considering the significant losses incurred by the aviation sector.

7.	Non-aeronautical revenue for the Third Control Period	Para 10.2 and 10.2.3 It is observed that the Non-Aeronautical Revenues ('**NAR**') projected by AAI is substantially low / conservative. It is requested that AAI explores all avenues to maximise revenue from the utilisation from the expansion of terminal building for non-aeronautical purposes. As noted by AERA itself, in para 10.2.1 of the CP, AAI's projection of NAR for the Third Control Period for SIA (₹ 56.33 Crores) is lesser than the actual revenue reported by SIA for true up of the Second Control Period (which is at ₹ 68.71 Crores). There appears to be scope of considerable improvement in increasing the NAR, especially since the airport has already surpassed its capacity of 2.5 MPPA and is currently doing approx. 4.5 MPPA. The projections for the NAR should be a function of the increase in O&M expenses for the Third Control Period. Despite SIA being a hard station, we should consider the upcoming developments in the state that are attracting tourists to visit the city freely. The successful completion of the current G20 summit is also expected to provide a significant boost to air traffic to the city, which is projected to rise by 8% year on year (YOY), refer 5.2.12 of the CP. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically. Now, it is up to SIA to explore ways to increase the NAR at the airport. Hence, it is requested that AAI explores all avenues to maximise revenue from the utilisation from the expansion of terminal building for non-aeronautical purposes. Accordingly, we request AERA to mandate AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at SIA. We further request AERA to kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the Third Control Period.

		Without prejudice to the above, we submit that increase in NAR is the function of increase in terminal building area (whenever applicable) passenger traffic growth, inflationary increase and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projected for the Third Control Period by AAI, it is noted by the airport operator with a conservative approach. AERA is requested to ensure no adjustments are proposed to NAR which are not dependent on traffic but are derived from agreements with concessionaires. In view of the above, we request AERA to allow higher NAR being not less than 50% of the projected O&M expenses for AAI, or higher, as approved by AERA in other similar airports such as Chennai, Pune and Kolkata with more than 50% of the non-aeronautical revenue.
8.	Quality of Service for Third Control Period	<u>Para 12.2.4</u> It is noted that the actual ASQ rating achieved by SIA for CY 2019 was 4.36 as compared to target of 4.68 as per the MoU with MoCA for the FY 2019-20. It is also noted that the ASQ rating achieved for CY 2023 (Q1) was 4.52, which is also below the target of 4.68 as per the MoU with MoCA. We request AERA to kindly take note of the same, and implement corrective measures, if any, as per the MOU for the same.
9.	Aggregate Revenue Requirement (ARR) for the Third Control Period	<u>Para 14.2.5</u> Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs.

		There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator. As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers. The rates of royalty at the airport are as high as up to 15% for some services. 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. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit. In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items. <u>Para 14.2.6 and 14.2.7</u> It is submitted that, AERA has noted that "*Srinagar International Airport is a Civil Enclave airport, which has limitations on the timing of operations. Further, AAI has projected minimal International traffic for the current Control Period. The existing low traffic base is not sufficient to recover the ARR, which has resulted on account of higher O&M expenses projected for the current control period, the under-recovery pertaining to the First Control Period and the Second Control Period*" Thus, we appreciate that AERA in para 14.2.7 has considered to carry forward some portion of ARR to the next control period. However, we request AERA that, keeping in view the adverse impact on demand of air travel and concern for the financial health of the airlines as mentioned in this letter, tariffs may kindly not be increased for this control period.

10.	Proposed Annual Tariff Proposal (Tariff Rate Card) (Refer Annexure II of CP):	In accordance with the preamble of the National Civil Aviation Policy, which envisages to make air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariffs including UDF, which will be beneficial to passengers and airlines. It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in the sharp post-COVID-19 recovery of aviation sector. It is the stated vision of the government to make UDAN ("Ude Desh ka Aam Naagrik") a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air. In addition, we request AERA and AAI to clarify the following: **1)** Ref: Para 17.2.4 Notes to User Development Fee (UDF) Charges: We would like to invite AERA's attention to notes 1 of para 17.2.4 of the Annexure II of the CP, UDF charges, wherein no rate of collection charges of UDF charges has been proposed by AERA. We further request AERA to consider, in this regard that: **a)** The collection charges to be published as Rs. 5.00 per departing passenger, in line with other airports. **b)** These charges are paid by airport operators to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied. Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons, the collection charges may kindly be increased to keep pace with the proposed increase in UDF, as airlines only get a fixed rate, which results in disincentivizing the airlines.

		c) AERA is kindly requested to clarify the applicability of UDF, whether it will be charged on per passenger or per flight basis, as UDF is applied on a per passenger basis i.e, for embarking passengers. As we have observed, there are corresponding references of domestic and international flights. Hence, the manner in which UDF is to be collected in case of a connecting flight appears unclear, especially in cases, where one leg of the flight is domestic and the other is international or vice versa. <u>To illustrate:</u> For a passenger with connecting flight from one domestic station to another domestic station with final destination to international station (i.e., SXR-DEL-DXB), clarity is required whether the UDF will charged as per domestic flight or international flight; a) Will it be considered as a domestic passenger for the route of SXR-DEL-DXB (which means domestic UDF rate applicable on this passenger) ; or b) The passenger will be charged international rates of UDF as per the PNR/Ticket, as the final destination is international. **2)** CUTE, CUPPS, CUSS: As these are aeronautical revenues, we could neither find a proposal for the same in the MYTP submitted by the AAI for the Third Control Period, nor any comment by AERA on regulating these charges in the CP for the Third Control Period. We would like to state that (i) the current prices are excessive; (ii) whatever bouquet of services is agreed between the AAI and the service provider, this is enforced upon the airlines; (iii) the airlines have no say on the prices (unbundling), even if the airlines do not require all the services; and (iv) are in foreign currency at certain airports, making airlines vulnerable due to currency fluctuations. AERA is kindly requested to intervene and kindly regulate the CUTE, CUPPS, CUSS prices as per the AERA Act, with transparency to all stakeholders.

		3) We observed that there is no mention of Aviation Security Fee ("ASF") in the Annual Tariff proposal by AAI. In this regard, we request AERA to take note of the AIC 09/2021 dated 19th March 2021 and to state the levy, exemption and collection charges on ASF to AAI. **4)** Para 17.2.3 (Note 8) **-** It is requested that AERA should propose the definition of 'Unauthorised Overstay', which will provide clarity to all stakeholders regarding charges to be applied for such overstay by the airport operator. **5)** Further, FIA recommends to add Note no.09 in para 17.2.3 of the Annexure II, as follows: "No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any airlines". **6)** Ref: para 17.2.7 of the CP- It is requested to provide definition of watch hours and the requirements of the extension of watch hours.
11.	Any Other Comment	<u>Shrinkage in Control Period</u> We submit that the Hon'ble TDSAT Order dated 16 December, 2020 for BIAL stated as follows: *'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 burden of recovery is spread over the entire period for which the order is passed...'* 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 - Third Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2021.

		Cost of airport operations: We submit that cost of operations for the airlines is increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment. At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years. While economies of scale are a big factor for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge benefits for the airport operators as well due to economies of scale. Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period). It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business, but also force airlines to pay tax on tax for availing services though multi-layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified.