Federation of Indian Airlines
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MOST URGENT & IMMEDIATE

18th 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

Subject: Response to the AERA Consultation Paper No. 06/2023-24 dated 28 July 2023 on determination of tariff for Cargo Handling Services for Menzies Aviation (Bengaluru) Private Limited (MABPL) in respect of Cargo Handling Services at Kempegowda International Airport, Bengaluru for the First Control Period (FY 2023-24 to FY 2027-28)

Dear Sir,

We, the Federation of Indian Airlines ('FIA'), write in response to the Consultation Paper No. 06/2023-24 dated July 28, 2023 issued by the Airports Economic Regulatory Authority of India ("AERA" or "Authority") in the matter of determination of tariff for cargo handling services for Menzies Aviation (Bengaluru) Private Limited (MABPL) at Kempegowda International Airport, Bengaluru for the First Control (FY 2023-24 to FY 2027-28) (the 'Consultation Paper' or 'CP').

At the outset, we would like to express our sincere gratitude to AERA for inviting stakeholder comments on the CP.

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 COVID-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 airline's international flight operations to reach pre COVID-19 levels, if no other negative event occurs.

On the other hand, the same reports mention that Indian Airports are expected to report significant profits in the region of USD 420 million for the 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 service provider charges), the air traffic goes down, leading to further losses and financial crisis for airlines, which may be feared due to recession. In the given circumstances, it is humbly submitted that it is imperative that AERA does not take any steps, including by way of approving the proposed high tariffs, during the First Control Period, which would precipitate further adverse financial impact on the airlines.

We further request AERA to not implement any Y-O-Y increase in tariffs during the First Control Period and defer any increase in the same to the subsequent control period, given the scenario described above. Without prejudice to the above, and as desired by AERA, please find below our recommendations/ comments on the Consultation Paper:

1. **Introduction: Review of Tendering Process:** (Refer 1.1.1, 1.1.3 & 1.1.4 of the CP)

   FIA submits that, "guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082)", which lays down the main purpose of economic oversight which is to achieve a balance between the interest of airports and the airport users. These guidelines categorically specifies "that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users." Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

   It is general perception that service providers have 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, marked growth, cargo movements and cost savings and not for increasing the royalty for the airport operator.

   In view of the above, AERA is humbly requested to ensure that airport operator does not take the decision to award concession agreements solely on the revenue share being offered, but on competitive bidding for market growth and transparency. Basing decisions solely on highest revenue share being offered breeds inefficiencies and tends to disproportionately increase the cost, as envisioned in the abovementioned guiding principles.

2. **Cargo Volume Projections :**(Refer 3.1.2, 3.1.4, 3.2.4 & 3.2.6 and Table 4 & 5 of the CP)

   While it appears that the domestic volumes and operations have normalised and recovered from the impact of COVID-19, it may be noted that recent trends may not show/project correct trends of the present cargo volumes, post recovery of operations, and thus it should not be linearly extrapolated for projecting future volumes or forecasting. Thus, is submitted that at this point in time, the cargo operations are particularly low for most airlines, and it may not be a realistic indicator, to assess the impact on the cargo volumes and therefore it is requested that AERA may rationalize and true up the actual volumes during the Second Control Period, when a clearer picture emerges, especially since MABPL is a new entrant.

   In addition, we request AERA to conduct an independent expert study for Cargo Volumetric projections, in accordance with the Airport Economic Regulatory Authority of India Act, 2008 (AERA Act, 2008)

3. **Capital Expenditure (Capex), Regulatory Asset Base (RAB) and Depreciation:** (Refer 4.1.1,4.1.3, 4.2.3,4.2.5 and Table 8)

   In view of the above-mentioned challenges faced by the entire aviation ecosystem, we request AERA that all non-essential CAPEX proposed by MABPL should be put on hold/deferred to the Second Control Period, unless deemed critical from a safety or security compliance perspective.

   Without prejudice to the above, in case MABPL 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.

   Further, it is submitted that the proposed hike from the prevailing tariffs due to Capex planned in First Control Period may be a bit premature as it would be possible to assess/ gauge only in the last year of First Control Period (i.e., 2027-28), whether significant work has progressed in development of infrastructure, service levels, procurement of latest equipment and repairs / refurbishment, as proposed in the CP. Thus, AERA is requested that the proposed hike from the prevailing tariffs be based on ground realities at that time of true up for the Second Control Period.

   AERA is further requested to evaluate whether the expansion in the current tonnage scenario would be required or not, as the current capacity may have not been optimized by the Cargo handling agencies.

4. **Fair Rate of Return (FRoR):** (Refer 7.3.3 and Table 33 of the CP)

   FIA submits that only reasonable Fair Rate of Return (FRoR) to the service provider may be provided, which is in line with other airports, such as in case of WFSPL Bangalore Authority has considered FRoR of 10.31 % (Order 13/2023-24). However, AERA has considered FRoR for MABPL at 12.01%, for the First Control Period, which seems relatively high.

It is further brought to AERA's attentions that, while such fixed/ assured return favors the service provider, 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, service providers have no incentive to look for productivity improvement or ways of increasing efficiencies, adhere to timelines and take steps to reduce costs as they are fully covered for all costs incurred plus their hefty returns by way of higher FRoR. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne mostly by airlines and users.

In view of the above, the assured return on investment through the proposed FRoR to MABPL appears onerous for the airlines. Hence, AERA is requested to kindly review the proposed FRoR to MABPL and minimize the effect on the airlines.

5. **Abolishment of Royalty Charges/ Concession Fee:**

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 that service providers have no incentive to reduce their expenses, as most of any such increase would mostly be passed on to the airlines/stakeholders through the tariff determination mechanism process, and indirectly the airlines would 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 mostly passed on to the airlines by the airport operator or other services 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. 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.

We humbly submit the following:

i. The rates of royalty (Revenue Share/Concession Fee) at BIAL as mentioned in the Consultation Paper by MABPL for Cargo Services is 25% of Gross Revenue to the Airport Operator.

ii. In this regard, kindly refer to the submission of FIA to AERA dated 30th July 2021 in response to AERA consultation paper No. 11/2021-22 dated 02 July 2021 for determination of aeronautical tariffs in respect of Rajiv Gandhi International Airport, Shamshabad, Hyderabad for the Third control Period.

In this submission, FIA had submitted that the royalty charges are passed on to the airlines by the service providers, without any underlying services, and further, that 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. FIA had requested in the afore-mentioned consultation paper to abolish such royalty which may be included in any of the cost items - aeronautical and non –aeronautical.

iii. In repose to the above-mentioned submission by FIA, AERA had mentioned in the tariff order No. 12/2021-22 dated 31st August 2021 that AERA had noted FIA's comments on royalty and cargo tariff and would take the suggestions into account while determining the said tariff for the Independent Service Provider.

iv. Accordingly, in response to the consultation paper No. 21/ 2021-22 dated 14/10/ 2021 for determination of tariff for the Third control period (FY 2021-22 to FY 2025-26) in respect of M/s Globeground India Pvt. Ltd. (GGIPL) for providing ground handling services at RGIAL, SpiceJet in its response dated 28 October 2021 to the said consultation paper had submitted that 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. SpiceJet had further reiterated and urged AERA to abolish such royalty (24% in the case of GGIPL) which may be included in any of the cost items.

v. However, AERA had in its tariff order no. 31/2021-22 dated 23rd December 2021 noted that it considers the process of "Award of Contract" as non-regulatory in nature and is of the view that all such issues, including royalty share to Airport Operators, may be taken up by the Stakeholders with the Service Providers/Airport Operators in appropriate forums.

vi. Similar observations have been made by AERA in other consultation paper for determination of aeronautical tariff (example Ahmedabad tariff Order No. 40/2022-23 dated 18th January 2023, in reference to consultation paper number No 10/2022-23 dated 20th October, 2022), wherein AERA has noted that it has a separate tariff determination process for service providers providing Cargo, Ground Handling and Fuel Supply to aircraft where the royalty charges are addressed alongside a rigorous Stakeholders' consultation process.

vii. However, when the issue of royalty is taken up at the time of tariff determination process for service providers providing Cargo, Ground Handling etc., AERA has noted (refer tariff order 32/2022-23 dated 29th December 2023 in regard to determination of tariff for cargo handling services for M/s CDCTM at IGIAL) that the Concession Fee paid by the ISP to the Airport Operator is as per the Concession Agreement executed between the Service Provider and the Airport Operator, and further that AERA was of the view that bidding process to award such contracts, based on which ISP pays Revenue Share to Airport Operator, is a non-regulatory issue and such matters may be dealt between the stakeholders at the appropriate forum.

viii. Thus, it is observed that while AERA mentions that it has noted comments on royalty and would take the suggestions into account while determining the tariffs for independent service providers like CGF etc., at the time of issuing that tariff order, AERA decided that:
  a. Royalty is a non-regulatory issue, and such matters may be dealt between the stakeholders at the appropriate forum.
  b. This is a matter between the Independent Service Providers and the Airport Operator as per their agreement and that this is non-regulatory matter in nature.

Sir, it is humbly requested that royalty charges may please be abolished, whether be it for aeronautical and non – aeronautical services, as royalty when allowed by AREA as a fundamental concept on aero charges becomes an allowable charge, the concept of which is then extended by non-aero service providers like in-flight caterers, etc. and applied on airlines and drives up the cost of the airlines. These charges are mostly passed on to the airlines by the service provider without any underlying benefits, which is against the preamble of the National Civil Aviation Policy 2016 for increasing efficiency of airlines and reducing cost. Thus, we once again humbly submit and urge AERA to abolish such royalty which may be included in any of the cost items.

6. **Operating & Maintenance Expenditure ('O&M Expenses'):** (Refer 5.3, 5.4 and Table 22 & 28 of the CP)

It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially. It may also be noted that cost incurred by MABPL impacts the airlines, as such cost is passed through or borne mostly by the airlines. In order to ensure that there is no adverse impact/increase in the tariff, we request AERA to kindly put on hold any increase in O&M Expenses by MABPL not related to safety or security.

In view of the above, FIA submits that:

(i) **Payroll Costs:** The Y-o-Y increase after 2023-24 may not be more than approx. 6%, in line with recent proposals of AERA in other consultation papers for other airports, rather than the proposed Y-o-Y high increase of 14% from 2024-25 onwards.

(ii) **Administrative & General Expenses, Repair & Maintenance Expenditure, Utility Expenses:** The Y-o-Y increase after 2023-24 may not be more than approx. 5%, in line with recent proposals of AERA in other consultation papers.

(iii) **Repair & Maintenance Expenditure, Utility Expenses:** The Y-o-Y proposed increase is 11% and 7% in Utility and Repair and Maintenance expenditure, respectively. The Y-o-Y increase after 2023-24 may not be more than approx. 5%, in line with recent proposals of AERA in other consultation papers.

In view of the above, MABPL may be directed to reduce the Aggregate Revenue Requirement, so that it can be beneficial and cost effective to all stakeholders including the main users i.e., the airlines.

7. **Air Freight Station (AFS) :**(Refer 6.1.1 of the CP)

Since the Air Freight Station (AFS) would an off-Airport common user facility and would be offering services for handling and temporary storage of import / export goods loaded on ULDs, it would reduce the congestion of cargo in airports and the cost is also saved. Implementing the same would be hugely beneficial for all customers who are in the business of "Import & Export". It will also help online connectivity, along with document filing where agents do not have to come to the airports. All activities, such as Customs documentation and examination, Cargo Acceptance Check, Security Checks, and warehousing will be carried out at the AFS.

It would also streamline the cargo operations, as a provision for having a bonded trucking service for the export cargo from the offline airport to the airline operating station would make it economically viable and competitive pricing. More importantly, it will help to save on demurrage charges, as it will help customers take the delivery of cargo within one or two days. There would be no congestion at the custodian warehouse.

In view of the above, decentralization would help in breaking the warehousing monopoly, and would benefit the cargo business by letting market forces determine lower TSP charges than those proposed in Annexure IV of the CP and should be encouraged. In addition, it is recommended that the AFS should also have provisions for Airline's self-handling setup, which can also support the airlines for remote advance cargo acceptance and cost-effective operations.

8. **Aggregate Revenue Requirement** :(Refer 7.2.1, 7.3.3, and Table 32 and 34 of the CP)

AERA is requested to carefully peruse the reasons for the restructuring of the Tariff Rate Card, so that there are no hidden cost impact or imbalance on the users. AERA's proposal for the increase in charges is exponentially high (up to 21% Y-o-Y for transhipments), which is opposed strongly.

The General Cargo acceptance rates are proposed to be in excess of 15% increase on a year-on-year basis. In our view, this would not result in scaling up of the cargo business/volumes in a competitive environment, especially since there is capacity available at neighbouring airports. To enhance business, the service provider must target volumes instead of rate increase, which should be competitive in comparison to road and sea shipping.

The freight charges in the market are softening due to various modes of competition, especially with road connectivity between major cities and ease in logistic movement from state to state. In case of an increase in airfreight, the volumes will tend to decrease as there will be a market shift by the freight community. Currently airlines have been struggling to support the cargo business post COVID-19, as there have been drop in volumes of pre-Covid levels in terms of per flight basis and this needs to be strengthened for the next few years to enhance the infra requirement as projected and discussed in this response.

9. Annexure IV of the CP -

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

TRANS SHIPMENT						
DOMESTIC TO DOMESTIC						
SERVICES	UNIT	2023-24	2024-25	2025-26	2026-27	2027-28
GENERAL	RATE (INR/KG)	2.54	3.07	3.72	4.24	4.83
	Y-O-Y % INCREASE		20.87%	21.17%	13.98%	13.92%
SPECIAL	RATE (INR/KG)	2.54	3.07	3.72	4.24	4.83
	Y-O-Y % INCREASE		20.87%	21.17%	13.98%	13.92%
DOCUMENTATION FEE	PER AWB	162.75	170.89	179.43	188.4	197.82
	Y-O-Y % INCREASE		5.00%	5.00%	5.00%	5.00%
INTERNATIONAL TO INTERNATIONAL						
SERVICES	UNIT	2023-24	2024-25	2025-26	2026-27	2027-28
GENERAL	RATE (INR/KG)	3.17	3.65	4.12	4.54	4.99
	Y-O-Y % INCREASE		15.14%	12.88%	10.19%	9.91%
VALUABLE / DANGEROUS	RATE (INR/KG)	3.17	3.65	4.12	4.54	4.99
	Y-O-Y % INCREASE		15.14%	12.88%	10.19%	9.91%
DOCUMENTATION FEE	PER AWB	162.75	170.89	179.43	188.4	197.82
	Y-O-Y % INCREASE		5.00%	5.00%	5.00%	5.00%
INTERNATIONAL TO DOMESTIC & DOMESTIC TO INTERNATIONAL						
SERVICES	UNIT	2023-24	2024-25	2025-26	2026-27	2027-28
GENERAL	RATE (INR/KG)	3.17	3.65	4.12	4.54	4.99
	Y-O-Y % INCREASE		15.14%	12.88%	10.19%	9.91%
VALUABLE / DANGEROUS	RATE (INR/KG)	3.17	3.65	4.12	4.54	4.99

	Y-O-Y % INCREASE		15.14%	12.88%	10.19%	9.91%
DOCUMENTATION FEE	PER AWB	162.75	170.89	179.43	188.4	197.82
	Y-O-Y % INCREASE		5.00%	5.00%	5.00%	5.00%
TARIFF FOR EXPORT CARGO HANDLING PAYABLE BY AIRLINES						
SERVICES	UNIT	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
PALLETIZATION/UNITIZATION/BULK CARGO HANDLING (GENERAL/SECIAL BULK/VAL, DG)	RATE (INR/KG)	1.97	2.26	2.56	2.81	3.09
	Y-O-Y % INCREASE		14.72%	13.27%	9.77%	9.96%
DEMURRAGE						
GENERAL	RATE (INR/KG)	2.63	3.03	3.42	3.76	4.14
	Y-O-Y % INCREASE		15.21%	12.87%	9.94%	10.11%
SPECIAL	RATE (INR/KG)	5.28	6.07	6.86	7.55	8.3
	Y-O-Y % INCREASE		14.96%	13.01%	10.06%	9.93%
VALUABLE / DANGEROUS	PER AWB	5.28	6.07	6.86	7.55	8.3
	Y-O-Y % INCREASE		14.96%	13.01%	10.06%	9.93%
XRAY	RATE (INR/KG)	3.34	3.84	4.33	4.77	5.24
	Y-O-Y % INCREASE		14.97%	12.76%	10.16%	9.85%
EXPORT GENERAL	Min.RATE/CONSIGNEMENT	345	397	449	494	544
	Y-O-Y % INCREASE		15.07%	13.10%	10.02%	10.12%
TARIFF FOR IMPORT CARGO HANDLING PAYABLE BY AIRLINES						
SERVICES	UNIT	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
CARGO HANDLING(GENERAL/SPECIAL/BULK/VAL/DG)	RATE (INR/KG)	1.89	2.17	2.45	2.70	2.97

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	Y-O-Y % INCREASE		14.81%	12.90%	10.20%	10.00%
DEMURRAGE						
GENERAL	RATE (INR/KG)	2.63	3.03	3.42	3.76	4.14
	Y-O-Y % INCREASE		15.21%	12.87%	9.94%	10.11%
VALUABLE / DANGEROUS	PER AWB	7.16	8.24	9.31	10.24	11.27
	Y-O-Y % INCREASE		15.08%	12.99%	9.99%	10.06%
IMPORT GENERAL	Min. RATE/CONSIGNE MENT	345	397	449	494	544
	Y-O-Y % INCREASE		15.07%	13.10%	10.02%	10.12%
TARIFF FOR DOMESTIC OUTBOUND CARGO HANDLING SERVICES PAYABLE BY AIRLINES						
PALLETIZATION/UNITIZATI ON/BULK CARGO HANDLING						
GENERAL	RATE(INR/KG)	1.46	1.77	2.14	2.44	2.79
	% INCREASE		21.23%	20.90%	14.02%	14.34%
X-RAY CHARGES	RATE(INR/KG)	2.59	3.13	3.79	4.32	4.93
	% INCREASE		20.85%	21.09%	13.98%	14.12%
COURIER/XPRESS HANDLING CHARGES	RATE(INR/KG)	1.46	1.77	2.14	2.44	2.79
	% INCREASE		21.23%	20.90%	14.02%	14.34%
TARIFF FOR DOMESTIC INBOUND CARGO HANDLING SERVICES PAYABLE BY AIRLINES						
DE-PALLETIZATION/DE-UNITIZATION/BULK CARGO HANDLING						
GENERAL	RATE(INR/KG)	1.46	1.77	2.14	2.44	2.79
	% INCREASE		21.23%	20.90%	14.02%	14.34%
SPECIAL	RATE(INR/KG)	2.81	3.4	4.11	4.69	5.34
	% INCREASE		21.00%	20.88%	14.11%	13.86%
COURIER/XPRESS HANDLING CHARGES	RATE(INR/KG)	1.46	1.77	2.14	2.44	2.79
	% INCREASE		21.23%	20.90%	14.02%	14.34%

We humbly request AERA to kindly consider our submission as mentioned above and review the proposed tariffs in light of the same, as the proposed rates of tariff are very high, especially in the backdrop of COVID-19. It is in the interest of all the stakeholders not to implement such high tariffs in order to encourage middle class people to travel by air, which will help in sharp post COVID-19 recovery of the aviation sector. Customers of Cargo services (shippers, consigners, airlines, etc.,) have limited capacity to pay for the increase in rates for cargo handling. When the cost of transportation goes up (caused in part due to high tariff), the cargo volume goes down, leading to further losses and financial crisis for airlines.

b) Domestic Outbound/Inbound Cargo Handling Services:

FIA submits that, the tariff proposed by AERA for FY23-24 in Annexure IV of the CP, for outbound/inbound domestic cargo operations have reflected an increase of 21% over and above the existing interim approved rates provided by AERA on outbound cargo handling services vide AERA order no. 05/2023-24 dated 19th May 2023, in comparison with the proposed AERA rates in this CP. Further, on special cargo (Inbound charges) the proposed increase is 132% over the existing rates, which are exponentially high. It is further observed that, from FY24-26 there is, approximately 21% upward hike and around 14% upward hike from FY26-27 in the proposed tariff by AERA.

In view of the above, it is request that such exponential hike in tariff will degenerate the growth of the Domestic air cargo industry which is currently competing with the surface and other modes of cargo transportation, which are relatively cheaper, it has already led to seriously erosion on tonnages and revenue due to competitive price. It may be noted that, Bangalore market has always been AGRO and perishable products driven, which are highly price and time sensitive.

This increase will impact the overall cost to the end customer and hence would shift from air mode to surface and other modes of transportation/cargo handling such as speed trucking, trains, buses etc., As the short sectors which are today covered in less than an hour time (i.e., forty-five minutes), have already created a major decrease on the cargo volumes due to it being on cheaper price.

In the given circumstances, FIA request that, it is imperative that AERA does not take any steps, including by way of approving the proposed high tariffs, during the First Control Period, which would precipitate further adverse financial impact on the airlines and the entire aviation ecosystem and sector, which will not be in the best interest of all stakeholders which are recovering from the post Covid-19 effect.

In this regard, it is further requested that AERA should not implement any Y-O-Y increase in tariffs during the First Control Period and defer any increase in the same to the subsequent control period(s), given the scenario described above. In the event this request is not acceptable, then to offset the high fuel prices and low percentage of freight revenues we submit that the tariff increase may not be in excess of 5% on Y-O-Y basis.

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Further, as it would be only possible to assess and gauge the performance and implementation of Capex in the last year of First Control Period (i.e., 2027-28) whether significant work has progressed in development of infrastructure, procurement of latest equipment and repairs / refurbishment, as proposed in the CP, AERA is requested that the proposed hike from the prevailing tariffs be deferred to the Second Control Period based on ground realities at that time.

10. **Profitability Analysis:** (Refer 8.2.6 and Table 39 of the CP)

    In the current situation, airlines in India are staring at significant losses and recovery from strong financial headwinds and with limited financial support from the Government, airlines are constrained to implement severe cost control measures to sustain their operations. However, it is observed that, as per the proposed P&L Summary (refer Table 39 of the CP), the service provider is expected to report significant profits, which should not be at the expense of higher tariffs and burden to airlines/ users. We request AERA to reconsider this anomaly which would be caused by the proposed hikes in the tariff.

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

We look forward to your continued support.

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