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

29th September 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. 11/2023-24 dated August 31st, 2023 on determination of Aeronautical Tariff for Manohar International Airport, MOPA, Goa (GOX) for the First Control Period (01.04.2023 – 31.03.2028)**

**Ref: AERA stakeholder consultation (virtual) meeting dated 15th September, 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. 11/2023-24 issued by the Airports Economic Regulatory Authority of India (“**AERA**” or “**Authority**”) in the matter of determination of Aeronautical Tariff for Manohar International Airport, MOPA, Goa (GOX) for the First Control Period (01.04.2023 – 31.03.2028) (‘**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 15th September 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 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 ).

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Industry reports also indicate that the traffic recovery (number of flights and passengers) would take around one year or more for airline 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 at GOX by AERA as mentioned under **Annex – A**, AERA is kindly requested to take note of our observations mentioned under Annex A.

In this regard, we humbly request AERA not to implement any increase in the aeronautical tariff in the First 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**

**Landing Charges:** (Refer Public Notice no 11/2023-24– Annexure A) (In Rs.)

| **Particulars** | | | **Units** | **Existing Tariff (Initial AERA order)** | **Ad-hoc AERA order (Dt. 11/9/23)** | **Proposed by Airport Operator MOPA (GMR) Published: Dated 12/09/23** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | MT | COD (Up to 30.09.2023) | 01.10.2023 to 31.12.2023 | 01.12.2023 to 31.03.2024 | FY 25 Tariff w.e.f. 01.04.2024 to 31.03.2025 | FY 26 Tariff w.e.f. 01.04.2025 to 31.03.2026 | FY 27 Tariff w.e.f. 01.04.2026 to 31.03.2027 | FY 28 Tariff w.e.f. 01.04.2027 to 31.03.2028 |
| **Landing Charges ( DOMESTIC )- Per Hr. per MT** | | | | | | | | | | |
| Domestic Landing Charges - Per Hr/MT | Mrng Hrs. | 0700-1259 | Upto 100 MT | 256 | 384 | 256 | 256 | 269 | 282 | 296 |
| Domestic Landing Charges - Per Hr/MT | Evng. Hrs. | 1300-2359 | Upto 100 MT | 197 | 296 | 197 | 197 | 207 | 217 | 228 |
| Domestic Landing Charges - Per Hr/MT | Night Hrs | 0000-0659 | Upto 100 MT | 98 | 147 | 98 | 98 | 103 | 108 | 113 |
| | | | | | | | | | | |

| **Impact of new Proposed Rates** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Eg: Q400 ( 80 & PLUS seater) Rs | Mrng Hrs. Evng. Hrs. | 0700-1259 | 30 MT | 7680 | 11520 | 7680 | 7680 | 8070 | 8460 | 8880 |
| Boeing 737-800 | | | 79 MT | 20224 | 30336 | 20224 | 20224 | 21251 | 22278 | 23384 |
| Eg: Q400 ( 80 & PLUS seater) Rs | Night Hrs Mrng Hrs. | 1300-2359 | Q-400 | 5910 | 8880 | 5910 | 5910 | 6210 | 6510 | 6840 |
| Boeing 737-800 | | | 79 MT | 15563 | 23384 | 15563 | 15563 | 16353 | 17143 | 18012 |
| Eg: Q400 ( 80 & PLUS seater) Rs | Evng. Hrs. | 0000-0659 | Q-400 | 2940 | 4410 | 2940 | 2940 | 3090 | 3240 | 3390 |
| Boeing 737-800 | | | 79 MT | 7742 | 11613 | 7742 | 7742 | 8137 | 8532 | 8927 |
| Variance % from existing for Q-400& Boeing | Mrng Hrs. Evng. Hrs. | 0700-1259 | Q-400 & Boeing | | 50% | 0% | 0% | 5% | 10% | 16% |
| | | 1300-2359 | Q-400 & Boeing | | 50% | 0% | 0% | 5% | 10% | 16% |
| | Night Hrs Mrng Hrs. | 0000-0659 | Q-400 & Boeing | | 50% | 0% | 0% | 5% | 10% | 15% |
| **Landing Charges (INTERNATIONAL) - Per Hr. per MT** | | | | | | | | | | |
| International Landing Charges - Per | Winter | 1st OCT-30th | Upto 100 MT | 327 | 491 | 327 | 327 | 343 | 361 | 379 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Hr/MT | | APR | | | | | | | | |
| International Landing Charges - Per Hr/MT | Summer | 1st MAY - 30th SEP | Upto 100 MT | 164 | 246 | 164 | 164 | 172 | 180 | 189 |
| **Impact of new Proposed Rates** | | | | | | | | | | |
| Eg: Q400 ( 80 & PLUS seater) Rs | Winter | 1st OCT- 30th APR | Q-400 | 9810 | 14730 | 9810 | 9810 | 10290 | 10830 | 11370 |
| Boeing 737-800 | | | 79 MT | 25833 | 38789 | 25833 | 25833 | 27097 | 28519 | 29941 |
| Eg: Q400 ( 80 & PLUS seater) Rs | Summer | 1st MAY - 30th SEP | Q-400 | 4920 | 7380 | 4920 | 4920 | 5160 | 5400 | 5670 |
| Boeing 737-800 | | | 79 MT | 12956 | 19434 | 12956 | 12956 | 13588 | 14220 | 14931 |
| Variance % from existing | Winter | 1st OCT- 30th APR | Q-400 & Boeing | | 50% | 0% | 0% | 5% | 10% | 16% |
| Variance % from existing | Summer | 1st MAY - 30th SEP | Q-400 & Boeing | | 50% | 0% | 0% | 5% | 10% | 15% |

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**TABLE B**

**Parking Charges:**

Refer Order Number No. 19/2022-23 dated 26 August 2022, extended vide Order No. 41/2022-23 dated 22/3/2023 (the "Existing Tariff (Initial AERA order)"), and;
Addendum to order No. 19/2022-23 dated 11/9/2023 (the "Ad-Hoc AERA Order"), and;
Public Notice no 11/2023-24 dated 12 /09/ 2023– Annexure A (the "Proposed by Airport Operator MOPA")

(In Rs.)

| **Particulars** | | | **Units** | **Existing Tariff (Initial AERA order)** | **Ad-hoc AERA order (Dt. 11/9/23)** | **Proposed by Airport Operator MOPA (GMR) Published: Dated 12/09/23** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | MT | COD (Up to 30.09.2023) | 01.10.2023 to 31.12.2023 | 01.12.2023 to 31.03.2024 | FY 25 Tariff w.e.f. 01.04.2024 to 31.03.2025 | FY 26 Tariff w.e.f. 01.04.2025 to 31.03.2026 | FY 27 Tariff w.e.f. 01.04.2026 to 31.03.2027 | FY 28 Tariff w.e.f. 01.04.2027 to 31.03.2028 |
| **Parking Charges ( Domestic/ International)- Per Hr. per MT** | | | | | | | | | | |
| Parking Charges - Per Hr/MT | | | **Upto 100 MT** | 12 | 12 | 12 | 12 | 13 | 13 | 14 |
| **Impact of new Proposed Rates** | | | | | | | | | | |
| Eg: Q400 Parking charges for 80 & PLUS seater (Rs.) | | | 30 MT | 360 | 360 | 360 | 360 | 390 | 390 | 420 |
| B737-800 (AUW 79016) (Rs.) | | | 79 MT | 948 | 948 | 948 | 948 | 1027 | 1027 | 1106 |
| Variance % from existing | | | Q-400 | | 0% | 0% | 0% | 8% | 8% | 17% |
| | | | B737-800 | | 0% | 0% | 0% | 8% | 8% | 17% |

**TABLE C**

**UDF Charges:**
Refer Order Number No. 19/2022-23 dated 26 August 2022, extended vide Order No. 41/2022-23 dated 22/3/2023 (the "Existing Tariff (Initial AERA order)"), and; Addendum to order No. 19/2022-23 dated 11/9/2023 (the "Ad-Hoc AERA Order"), and; Public Notice no 11/2023-24 dated 12 /09/ 2023– Annexure A (the "Proposed by Airport Operator MOPA")

(In Rs.)

| **Particulars** | | | **Units** | **Existing Tariff (Initial AERA order)** | **Ad-hoc AERA order (Dt. 11/9/23)** | **Proposed by Airport Operator MOPA (GMR) Published: Dated 12/09/23** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | MT | COD (Up to 30.09.2023) | 01.10.2023 to 31.12.2023 | 01.12.2023 to 31.03.2024 | FY 25 Tariff w.e.f. 01.04.2024 to 31.03.2025 | FY 26 Tariff w.e.f. 01.04.2025 to 31.03.2026 | FY 27 Tariff w.e.f. 01.04.2026 to 31.03.2027 | FY 28 Tariff w.e.f. 01.04.2027 to 31.03.2028 |
| **UDF ( Domestic)** | | | | | | | | | | |
| DOMESTIC | Peak | 0700-1300 | Per Embarking | **450** | **750** | **933** | **933** | **1026** | **1129** | **1,242** |
| Variance % from existing | Peak | 0700-1300 | Per Embarking | | **67%** | **107%** | **107%** | **128%** | **151%** | **176%** |
| DOMESTIC | Off Peak | 1300-0700 | Per Embarking | 450 | 750 | 718 | 718 | 789 | 868 | 955 |
| Variance % from existing | Off Peak | 1300-0700 | Per Embarking | | | 59.6% | 60% | 75% | 93% | 112% |
| DOMESTIC | Peak | 0700-1300 | Per Disembarking | **0** | | **466** | **466** | **513** | **564** | **621** |
| DOMESTIC | Off Peak | 1300-0700 | Per Disembarking | **0** | | **359** | **359** | **395** | **434** | **478** |
| UDF ( International) | | | | | | | | | | |
| INTERNATIONAL | Timings | ALL | Per Embarking | **1100** | **1100** | **1633** | **1633** | **1796** | **1976** | **2173** |
| Variance % from | Timings | ALL | Per Embarking | | **0%** | **48%** | **48%** | **63%** | **80%** | **98%** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| existing | | | | | | | | | | |
| INTERNATIONAL | Timings | ALL | Per Disembarking | 0 | 0 | 816 | 816 | 898 | 988 | 1,087 |

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

1. Tables A: GIAL has proposed to increase the Landing Charges on Q-400 (80 & above seater) and on Boeing Flights approximately between 5 % to 16% from existing charges.

2. Table B: GIAL has proposed an increase in the Parking between 8% to 17 % on Domestic and International Passengers for the First Control Period.

3. Table C: GIAL has proposed an increase in the UDF between 60% to 176% on Domestic Passengers, and from 48% to 98% on International Passengers for the First Control Period

4. Table C: GIAL has proposed UDF for disembarking passengers also.

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.

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**Annex – B**

We humbly request AERA not to implement any increase in the aeronautical tariff in the First Control Period. In addition, without prejudice to above, we request AERA to kindly note our submissions to the AERA C.P. No. 11/2023-24 on determination of Aeronautical Tariff for Manohar International Airport, MOPA (GOX) for the First Control Period (01.04.2023 – 31.03.2028):

| S. No. | AERA's Proposal under each Chapter | Comments |
|---|---|---|
| 1. | **Revenues from Air Navigation Services (ANS).** | Para 2.1.3<br><br>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 -*<br>*(i)For navigation, surveillance and supportive communication thereto for air traffic management.."*<br><br>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. | **Methodology for Tariff Determination – Hybrid Till Vs. Single Till** | Para 2.1.5<br><br>It is observed that AERA have determined tariff using the 30% Hybrid Till model including true ups, as applicable. FIA have advocated the application of Single Till model across the airports in India and submits that AERA should adopt Single Till across all control periods, including by way of true up.<br><br>In a Shared/Hybrid till model, the airport operator has the incentive to skew the asset base towards aero-assets, thereby having a higher capital base for calculation of return offered by the regulator. Since in the current case, the share of aero and non-aero assets are delinked from revenues, the operator is motivated to skew revenues towards the non-aero segment which is uncontrolled in terms of tariff determination.<br><br>FIA have further carried out sensitivity analysis to understand the impact of shared till approach vis-à-vis single till approach. The analysis indicates that by adopting single till approach, the PV of Net ARR as per the CP will reduce by INR 249 crores (8%). For more details, please refer Appendix 1. |

| | | |
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| | | |
| 3. | **Related Party Transactions** | <u>Para 2.5.7 and Table 5</u><br><br>With regard to award for provision of services by GIAL at GOX, seven Related Party transactions have been disclosed in para 2.5.7 of the CP. While we appreciate AERA conducting an independent analysis of the transactions, however it is to be noted that, AERA has:<br><br>(a) only sought confirmation from GIAL on the RPT instead of a review of the same.<br>(b) sought compliance on the same which will be trued up during the next control period.<br><br>FIA submits that in our view, the above may not be a prudent approach and AERA should conduct the RPT compliance check including the following in this control period.<br><br>In this regard, we request AERA to kindly ensure that (a) the provisions of Concession Agreement ('CA') have been complied with; (b) tendering and awards for services must go through a competitive, transparent and fair process; (c) agreement with related parties shall not have any onerous terms, aggressive cost escalation, restrictive covenants, unfair lock in period or cost escalations or any other terms that may arise from awards to Related Parties, which is not in favour of airport user/other stakeholders<br><br>It is not in the interest of the stakeholders that related parties be awarded agreements for services (or otherwise) as there is fear of multi-layered transactions between / among airport operators or their Joint Ventures or their Holding / Subsidiary / Sister Subsidiary companies (or business associates by whatever name called), which is not efficient for the eco-system, and should be banned.<br><br>AERA is also requested to clarify the following:<br><br>As per para 2.5.7, refer Table 5, GIAL has confirmed that the agreements for the various services, and in particular the Master Services Agreement (MSA) to operate and manage non-aeronautical facilities, has been approved by Govt. of Goa (GOG). |

| | | |
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| | | However, in Para 9.2.9, 9.2.10 and 9.2.11 it is mentioned that GOG directed GIAL to cancel this MSA. It is also mentioned that the retendering process would be completed by September 2023.<br><br>In view of the above statements:<br><br>Authority is requested to clarify that if the MSA was cancelled as per Para 9.2.9, then whether cancellation as mentioned in Para 2.5.7 is in contradiction of the same.<br><br>In addition, the Authority is requested to inform whether the retendering has been completed, and if so, to whom was it awarded to, and whether it has the clearance of GOG.<br><br>FIA submits that during the review period, GIAL has entered into related party transactions amounting to INR 318 crores (excluding the cargo operations and cargo ground handling service revenue), which is c. 8.35% of the ARR proposed by AERA during this control period. Hence, it is pertinent to note that for c. 8.35% of the determination of Net ARR, AERA is relying on the confirmation submitted by GIAL, however, the requirement is of an independent evaluation of these transactions to be conducted by AERA for the process of tariff determination.<br><br>It may also be noted that during the consultation meeting held on September 15, 2023 for discussion on the Consultation paper, one of the stakeholders (AIASL) had mentioned that it was not allowed to conduct ground handling business at the Airport. We request AERA to kindly review the same. |
| 4. | **Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the First Control Period** | FIA submits that, the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by considering the following:<br><br><u>Para 5.3.4</u><br><br>We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated $13^{th}$ 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.

We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses, such that stakeholders, including passengers, do not pay for services/ facilities which are not being availed by the stakeholders or passengers.

<u>Para 5.3.2</u>

We note that AERA has conducted an independent study for evaluation of capital expenditure, which is appreciated.

<u>Para 5.3.29</u>

<u>Capitalization of Contingent GST recoverable.</u>

FIA submits that the GST input credit is pending decision of Hon'ble Supreme Court, hence matter is sub-judice.

Accordingly, AERA should not allow the capitalization of amount which is contingent in nature keeping in view the principles of reasonableness & efficiency of capex. The AERA has also suggested true up in case the GST Credit is allowed, however this will lead to higher ARR in the current control period, leading to over recovery which has to be borne by future passengers.

Further, the significant portion of the same has been capitalized in FY23, accordingly, to calculate the impact of the same on the ARR, FIA considered the entire capitalization in the RAB of pre control period.

In this regard, FIA have also carried out a sensitivity analysis to understand the impact of not considering the GST recoverable asset amounting to INR 368 crores for target revenue of FCP.

Our analysis indicate that it will decrease the PV of target revenue as at $31^{st}$ March 2024 by INR 247 crores (8%) from RAB. For a detailed analysis refer Appendix 2.

| | | |
|---|---|---|
| | | Para 5.3.35<br><br>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 can be made by AERA during the tariff determination process for the Second Control Period.<br><br>Para 5.4.6<br><br>AERA have considered the Terminal Building Ratio ('TBLR') of 90:10 for the First Control Period.<br><br>While we agree with AERA that the non-aeronautical ratio proposed by GIAL is on the lower side as compared for other bigger airports, which could go up to 20%.<br><br>However, it may be noted that:<br><br>*a)* MIAL is considered as one of the comparable airports by AERA in this CP and we note that the PV of ARR as at 31st March 2024 will reduce by INR 11 crores (0.59%) after considering the reduction of from RAB due to change in allocation ratio from 90% to 87.30% (*for details refer Appendix 3)* .<br><br>b) considering that Goa is tourist destination and have potential of higher non-aero revenue, we request AERA to kindly undertake detailed scrutiny examination with the assistance of an independent study for asset allocation, which is a standard practice done by AERA for all PPP model airport on or before the tariff determination of the FCP.<br><br>In this regard, FIA have also carried out a sensitivity analysis to understand the impact of considering the allocation ratio of 87.30% on target revenue for FCP. Our analysis indicate that it will decrease the PV of net ARR as at 31st March 2024 by INR 11 crores (i.e., 0.36%)<br><br>FIA submits that, this study will ensure correct assessment of allocation of assets, which is a standard practice followed by AERA for other PPP airports. |

| | | |
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| | | Para 5.5.4 Table 71<br><br>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:<br><br>a) GIAL has been provided the airport for a period of 40 years from the appointment date which is extendable by another 20 years based on first right of refusal with the airport operator. Hence, it is submitted that useful life of the airport and its terminal building should be considered 60 years, as against to the useful life of 30 years for terminal building, which is half the period of the concession agreement. This will lead to double (2 times) increase in the depreciation going forward.<br><br>b) 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 to please prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.<br><br>**Fuel Infrastructure Charges at GOX – Order Number 29/2022-23:**<br>**Charges for Fuel Infrastructure**<br><br>It may be noted that before privatization of airports, there were no such charges related to fuel infrastructure and into plane which were levied on the airlines. The Fuel Farm at the airport was developed by the Oil Marketing Companies (OMCs) and they were also refuelling aircrafts as per the respective airlines' requirements. Airlines are/were only paying for ATF uplifted at each of the airport at an agreed product price to OMCs.<br><br>Since privatization of airports, two new charges related to fuel have been levied; first 'Fuel Infrastructure Charges' (FIC) and second 'Into Plane Charges' (ITP) at all the Privatized airports. |

| | | |
|---|---|---|
| | | At a lot of Privatized airports, fuel infrastructure has been bought over by the airport operator or its Joint Venture (JVs) / Holding / Subsidiary / Sister Subsidiary companies from the OMCs at a very low price.<br><br>The investment made in fuel farms are also through multi-layered transactions between / among airport operators or their Joint Ventures or their Holding / Subsidiary / Sister Subsidiary companies (or business associates by whatever name called).<br><br>A lot of legal entities have been formed by the airport operator as Joint Venture (JVs) or Holding / Subsidiary / Sister Subsidiary companies with multiplicity of agreements.<br><br>As a result of multiple layers of companies and transactions, there is no transparency and on top of it, multiple layers of overheads are loaded into the costs. In addition, royalty / revenue share to the airport operator or its JV / Holding / Subsidiary / Sister Subsidiary companies is also added in proposed FIC and ITP charges.<br><br>FIC and ITP including royalty and / or revenue share, along with GST thereon, is charged by the airport operator from OMCs. OMCs include these charges in the cost of fuel.<br><br>Once these charges become cost of fuel, they attract 'non-creditable' Excise Duty @ 11% and 'non-creditable' VAT which may vary from 1% to 29%. Average VAT rate is ~ 17% in India. As ATF is outside GST, there is no 'Input Tax Credit' (ITC) on GST paid on FIC and ITP.<br><br>Due to this circuitous billing cost of FIC and ITP become 1.53 times i.e., airlines end up paying 53% higher cost and there is no tax credit available to the airlines.<br><br>It is a burden on the beleaguered airlines which are suffering from huge losses to the tune of > Rs. 23,500 cr in FY 2022. |

Example

| | | |
|---|---|---|
| FIC / ITP (including royalty / revenue share of airport operator) | | 100.00 |
| GST | 18.00 | |
| Total | 118.00 | |
| Excise Duty @ 11% | 12.98 | |
| Total with Excise Duty | 130.98 | |
| VAT @ average rate of 17% | 22.27 | |
| Total cost with excise duty and VAT | 153.25 | |

It is clear from the above example that against original assumed cost of Rs.100 towards FIC and ITP, airlines end up paying Rs. 153.25 i.e. 53.25% additional cost and there is no tax credit against the same. Had these charges which are ‘Aero’ in nature as per AERA Act 2008, been charged directly by the airport operator from the airlines i.e. Rs. 118 including GST, airlines would have got ITC against GST and net cost to airlines would have been ~ Rs. 100 only.

The current method of circuitous billing of FIC and ITP suffers from the following:

1. Makes the whole process non-transparent
2. Against the concept of ‘Ease of Doing Business’
3. Increases cost for the airlines and is against the principle of ‘Making Aviation Affordable and Sustainable’
4. Against the vision of Hon’ble Prime Minister of India, Shri Narendra Modi that he would like to see ‘Hawai Chappal Wale, Hawai Jahaj Mein’ as the high cost will be passed on the common man by the airlines
5. There is application of tax on tax, which is fundamentally wrong and adds to Airlines cost.

In addition to the above, it is pertinent to note that there are number of other infrastructure services / facilities like aircraft taxi ways, runways, fire services and bird scarers etc., for which there is no separate charge as they are part of airport infrastructure however their separate charges for ATF in the shape of for FIC and ITP charges, which is a contradiction.

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| | | In this context, reference may be drawn from the abolishment of Fuel Throughput Charges (FTC), which were being earlier charged as separate charges for provisioning of ATF but were subsequently abolished. The FTC were being charged by the Airport Operators from the airlines through OMCs with the above circuitous billing mechanism with ultimate non creditable cost of Rs. 153.25 to the airlines. Both the Ministry of Civil Aviation (MOCA) and AERA have abolished FTC vide their order dated 08 January 2020 and 15 January 2020 respectively. Subsequently their revenues have been recalibrated by AERA and there has been no loss to the airport operators.<br><br>In view of all the above facts, it is recommended that FIC and ITP be abolished, and necessary calibration may be done in the revenue for airport operators for fuel farm and into plane operations. This will in turn help the airlines to address the long pending issue of circuitous billing.<br><br>Thus, it is requested that pricing for Fuel Farm Tariff (Fuel Infrastructure Cost, Aircraft Defueling and Re-fuelling of defueled products) may kindly not be accepted and recalibrated in line with FTC into other airport charges and help and support airlines with to address long pending circuitous tax billing.<br><br>We would also like to urge AERA to devise methods or pass an order stating that FIC and ITP should be directly invoiced by fuel farm operator or the services providers to the airlines to avoid circuitous billing and for the sake of 'Ease of doing businesses' and 'Transparency'. This will also help in avoiding unnecessary tax on tax.<br><br>**<u>Pre-operative expenses as part of RAB:</u>**<br>It is observed that pre-operative expenses have been analyzed by M/s KITCO as per the phase wise cost submitted by GIAL.<br><br>FIA agrees with M/s KITCO in disallowing the cost for Phase 2 and Phase 3 expansion as details were not provided by GIAL.<br><br>However, for Phase 1, M/s KITCO has accepted the cost submitted by GIAL for Manpower related cost and other consultancy charges. Further, M/s KITCO has relied on the CA certificate submitted by GIAL. |

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| | | However, it has not been clarified that whether CA certificate pertains to the accuracy of the amount incurred or the correct accounting treatment of these expenditure.<br><br>For, ORAT expenses, the AERA has accepted the cost as submitted by GIAL on as is basis and no explanation has been provided by M/s KITCO.<br>In case of Security and Legal charges, M/s KITCO observes that these expenses have been provided by GIAL in the respective O&M block. However, M/s KITCO has allowed 2/3rd of the expense capitalization. No basis has been provided by M/s KITCO for considering 2/3rd of the cost for capitalization.<br><br>It is submitted that the AERA to please consider the pre-operative expenses for the purpose of RAB which are eligible for capitalization as per Indian Accounting Standards to avoid overstatement of RAB and consequently return and depreciation. Further, we request, AERA to clarify that whether the treatment of pre-operative expenses is in accordance with I-GAAP which is not explained or clarified in CP. |
| 5. | **Fair Rate of Return (FRoR) for the First Control Period** | <u>Para 6.2.16, 6.3.2 and Table 77</u><br><br>It is observed that AERA has considered FRoR of 12.21%, with cost of equity at 15.18%, cost of debt at 9%, 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 AAI airports (Third Control Period), such as Chennai (11.98%) and Pune (11.68%).<br><br>Further, it may be noted that as per Para 6.3.2 of the CP, AERA have proposed to consider the notional debt to equity ratio of 48%:52% in line with the target gearing ratio being considered in case of other PPP airports. However, it is pertinent to consider that the proposed debt/equity mix from F23 to FY25 is in range of 62:38 and has increased to 48:52 in FY27.<br><br>In view of the above, it is submitted that AERA should re-consider equity return of 15.18% due to it being enormously high rate of return.in this regard, AERA may consider: |

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| | | (a) Independent Equity and FROR study; (b) the fact that PPP model in airport industry in India has been established; (c) risk is lower as this is cost plus margin business.; (d) to review the financial closures details, debt to equity ratio based on actual weighted average rather than a notional percentage.<br><br>FIA have also carried out a sensitivity analysis to understand the impact of considering the average debt equity ratio proposed by GIAL. Our analysis indicate that it will decrease the PV of target revenue as at 31$^{st}$ March 2024 by INR 33 cores (*for details refer to Appendix 4).*<br><br>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.<br><br>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.<br><br>Without prejudice to the above:<br><br>**1)** In the present scenario any assured return on investment to any services providers, 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.<br><br>**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. |

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| 6. | **Operation and Maintenance Expenses for the First Control Period** | Para 8.2.26<br><br>While we are in agreement with AERA that as GIAL gradually expands its non-aeronautical operations, it should also proportionately increase the power recovery charges from Concessionaires. Thus, GIAL 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.<br><br>Para 8.2.14<br><br>It is observed in para 8.2.14 of the CP, AERA have considered an area expansion in phase 2 & phase 3 as the incremental factor instead of cost of terminal.<br><br>FIA submits, that there may be an error in calculating expansion growth at 7% in this regard, as AERA have considered “Cost of terminal building” for calculation of phase-2 expansion growth instead of terminal area (in sqm). It may also be pertinent to note that GIAL have not proposed such increase in terminal building area ratio from phase 1 to phase 2.<br><br>In view of the above, it is submitted that this expansion increase should be studied basis the increase in cost driver resulting from area increase rather than estimating proportional increase, without any basis.<br><br>Para 8.2.17, 8.2.59 Table 104 and 102<br><br>FIA submits that, in para 8.2.17, AERA for the purposes of estimating manpower expenses have considered 6% growth rate, with 7% and 22% incremental growth on account of Terminal expansion of Phase II and Phase III respectively. However, it is to be noted that the percentage of manpower cost proposed by AERA is highest in case of GIAL as compared to other airports namely HIAL, DIAL & KIAL.<br><br>Further, in FY26 AERA have considered the increase of 22% which is almost equivalent to Terminal area increase. It is important to highlight that the manpower expenditure is semi- fixed in nature and do not increase proportionately. Hence, 22% increase is an aggressive estimate without any independent study. |

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| | | Further FIA requests AERA to not provide such huge escalations, particularly as most of the equipment would be brand new and under warranty, for the following:<br><br>(i) Repairs & Maintenance expenses (particularly between approx.. 33% to 79 % between FY FY25 and FY27)<br>(ii) Utilities Expenses (particularly approx. 31% in FY 26)<br>(iii) Operating expenses. (particularly approx. 33% in FY 26)<br>(iv) Manpower (particularly approx. 29% in FY 26)<br><br>Further, it may be noted that AERA have provided CSR expenses in full. However, as per the explanation provided in Table 94 of the CP, AERA had disallowed the same as it is dependent on the profitability. Hence, it is submitted that the same shall be disallowed from the admin and general expenses.<br><br>Further, it may be noted that, AERA accepts that to assess the accuracy, reasonableness and estimate of expenses in First Control Period of a greenfield airport is challenging, at O&M expenses is one of the key building blocks.<br><br>It is pertinent to note that the current estimate of O&M expenses appear to be subjective as no data has been provided and will results in over recovery of ARR in next control period under garb of True up.<br><br>FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, MIAL, BIAL that while truing up the O&M in subsequent control periods, it always leads to over-estimation which has been observed leading to higher tariff in past control periods.<br><br>In view of the above, it is submitted that this expansion increase should be studied basis the number of incremental manpower required for area increase and their designation and corresponding cost rather than estimating proportional increase.<br><br>We further submit 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 appear prudent considering the significant losses incurred by the aviation sector. |

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| | | 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 First Control Period. |
| 7. | **Non-aeronautical revenue for the Third Control Period** | <u>**Para 9.2.32**</u><br><br>It is observed that the Non-Aeronautical Revenues ('**NAR**') projected by GIAL is substantially low and conservatively estimated, with a standard approach without detailed thought to each line item. It is requested that GIAL explores all avenues to maximise revenue from the utilisation of terminal building for non-aeronautical purposes.<br><br>As correctly emphasized by AERA in para 9.2.32, that GIAL should generate and receive adequate amount of NAR comparable to other PPP airports, as GIAL's projection of NAR for the FCP is INR 401.16 Crores, which is quite less.<br><br>There appears to be scope of considerable improvement in increasing the NAR. The projections for the NAR should at least 50% of the O&M expenses of Rs. 2,032.90. This percentage and/or approach is well recognised by AERA in other Consultation Papers/tariff order issued by them, for example, Kolkata, Pune and Chennai.<br><br>Further, it may be noted that:<br><br>a) AERA have analyzed the NAR during this control period into three revenue streams namely a) Direct concession- Inflight Kitchen (4%); b) Retail concession (87%) and; c) Land & space (9%).<br>b) due to cancellation of retail concession agreement by Government of Goa, AERA have estimated 87% of NAR based on the average revenue per pax of other comparable airports.<br><br>c) AERA have estimated revenue for Direct Concession and Retail Concession basis the average revenue per passenger for GHIAL and Chennai for FY24 and it is further increased by 4% inflation rate and passenger growth. Accordingly, NAR per pax has increased by 4% in FY24 and only 1%-2% in balance control period. |

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| | | In view of that, it can be stated that the entire NAR growth is driven by passenger growth, which has been considered based on estimates and not based on any independent study by AERA.<br><br>FIA would further like to highlight that the WPI inflation has been considered for inflationary increase, however the revenue from NAR is coming from passengers and in case of F&B, retail, duty free, actual inflation is much higher than WPI. We also would request AERA to provide clarity for not considering CPI/Food Inflation in this regard.<br><br>It may be noted that, in other PPP Airports like DIAL, MIAL, BIAL, while truing up the NAR in subsequent control periods have always been the under-estimation and leads to higher tariff in the control periods.<br><br>FIA submits that, Goa is widely recognized as one of the most popular tourist destinations globally. The successful completion of the G20 summit is also expected to have significantly boosted the air traffic to the city. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.<br><br>Accordingly, we request AERA:<br><br>a) to mandate GIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at GIAL.<br><br>b) to kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the FCP.<br><br>c) to further determine and re-assess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Goa has to increase their NAR in accordance with the submissions above.<br><br>AERA is requested to ensure no adjustments are proposed to NAR which are not dependent on traffic but are derived from agreements with concessionaires. |

Further, it is to be noted that, NAR as a % of ARR is lowest (14%) in case of GIAL as compared to the latest orders issued by the AERA in case of the other airports. As per below table, even Dabolim Airport and Cochin Airport has 22% and 32% NAR as % of ARR. Hence, it is submitted that AERA has taken a conservative approach in order to determine the NAR

NAR as a % of ARR for comparable airports for TCP

| Particulars | NAR | ARR | NAR as a % of ARR |
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| GIAL As per CP No.11/2023-24 | 532 | 3,807 | 14% |
| Dabolim (Order No. 04/2022-23) | 261 | 1,177 | 22% |
| Cochin Order No. 08/2021-22 | 1,040 | 3,221 | 32% |
| Chennai (Table 130 of Order No. 38/2021-22) | 1653 | 4,089 | 40% |
| HIAL (Order No.12/2021-22) | 2844 | 6,365 | 45% |

**Para 9.2.5 & 9.2.6**

As per para 9.2.6 of the CP, AERA have proposed an adjustment of 30% to the average revenue per pax calculated para 9.2.5 of the CP, AERA have provided the rationale that there is another airport in the close vicinity. However, the same percentage has not been derived through a technical assessment of the average revenue per pax.

We noted that the revenue per pax post average is c. INR 3.66 and that of Chennai is c. INR 3.85. Hence, in our view there is no rationale of adjusting the 30% average per pax revenue without any basis.

It is submitted that :

(a) AERA should clarify any adjustments made in the retain concession, (such as 30% in lounge services).

(b) the flight kitchen revenue per pax is lowest in case of GIAL as per compared to other PPP airports.

(c) AERA should also consider the CPI / Food Inflation instead of the WPI inflation rates as the flight kitchen revenue is derived from F&B consumers as 4% WPI inflation will not be correct reflection of the actual revenue.

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| | | **<u>9.2.28 & 9.2.27</u>**<br><br>FIA observes that AERA have proposed to consider the interest income as part of NAR on actual basis in the next control period. AERA have estimated the same solely on the basis that GIAL has not provided the necessary estimates for interest income.<br><br>However, we request AERA to consider its approach in other similar airports such as:<br><br>a) BIAL – AERA had considered interest income on estimated cash basis *(refer as per Table 46 of Order 11/2021-22).*<br><br>b) Cochin Airport- AERA have considered the interest income on the prevailing interest rate for major banks during (refer Order No. 8/2021-22)<br><br>In this regard, we request AERA to adopt a consist approach for treatment of interest income in the Calculation of "S" factor (Ref para 2.1.6 of CP).<br><br>FIA in his previous submission for DIAL and MIAL have referred to the TDSAT judgement dated 16 December 2020<br><br>*"In the said Hon'ble TDSAT directions AERA's decision to include Other Income such as Interest Income as part of the cross*<br>*subsidization was not interfered with as can be seen in Paragraphs 71 – 73 of the concerned Hon'ble TDSAT Order."*<br><br>In view of the above, we submit that the airport user cannot be burdened solely on the basis that "GIAL has not submitted the required necessary estimates for interest income', and end users shall not be burdened or impacted due to such issue. |
| 8. | **Proposed Annual Tariff Proposal (Tariff Rate Card) <u>(Refer Annexure II of CP):</u>** | 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. |

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| | | 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.<br><br>In addition, we request AERA and GIAL to clarify the following:<br><br>**1)** Ref: Notes: 1 to User Development Fee (UDF) Charges:<br><br>We would like to invite AERA’s attention to notes 1 of the Annexure A of the Public Notice No.11/2023-24, UDF charges, wherein no rate of collection charges of UDF charges has been proposed by AERA.<br><br>We further request AERA to consider, in this regard that:<br><br>**a)** The collection charges to be published as Rs. 5.00 per departing passenger, in line with other airports.<br><br>**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.<br><br>Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons (example - 5% inflationary / administrative increase each year), 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.<br><br>**c)** Disembarkation:- GIAL has also proposed UDF charges on disembarkation as well at the Airport. AERA is requested to kindly review this trend as this will be discouraging for passengers to take flights to GOX because of the increase is total cost to fly to GOX. |

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| | | **Please further note:**<br><br>The Authority in the addendum to order No.19/2022-23 has issued a tariff card in which the UDF charges has been levied only on embarking passengers. However, in above expenditure UDF collection has been allowed on both embarking and disembarking passengers.<br><br>Hence, it is submitted that the Authority keeping in view the principles of efficiency and reasonableness should not allow the UDF collection charges on disembarking pax as proposed in the CP.<br><br>**d)** 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.<br><br><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., GOX-DEL-DXB), clarity is required whether the UDF will be charged as per domestic flight or international flight;<br><br>i) Will it be considered as a domestic passenger for the route of GOX-DEL-DXB (which means domestic UDF rate applicable on this passenger) ; or<br><br>ii) Will the passenger be charged international rates of UDF as per the PNR/Ticket, as the final destination is international.<br><br><u>iii) We request AERA to kindly simplify the complex structure of the proposed UDF rates to be applied by GIAL on an 'Peak' & 'Off Peak' basis, as encouragement of this concept will lead to burden on the airlines. In order to provide such facilitation to airport operators and collect UDF for such separate scenarios, airlines will have to bear investment costs of customizing their systems without any incentives.</u> |

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| | | In addition, as an illustration, if the scheduled embarkation was to be at an 'Off Peak' time (between 1:00 PM to 7:00 PM), and the airline had already charged the passenger the UDF as per the 'Off Peak' rate, but the actual embarkation (due to any reason whatsoever, including but not limited to uncontrollable factors such as weather, etc.) is during a 'Peak' hour (i.e. between 7:00 PM to 1 PM), then what would the Airport Operator charge. As the passenger would have already paid up the UDF at the time of the purchase of the ticket as per the 'Off Peak', rate it would be unfair to charge the airline, if at all, the difference between the actual Peak hour UDF rate charged by the Airport operator and the Off-Peak hour UDF charged in the ticket to the passenger.<br><br>**2)** CUTE, CUPPS, CUSS: As these are aeronautical revenues,<br><br>We would like to state that:<br>(i) the current prices are excessive. Please note that the AAI tariff for the same services at 44 airports is Rs 35.05 per passenger which is much lesser than private entities. AAI chose a service provider based on a public reverse auction mechanism. As such the proposed tariff of Rs 80 per passenger at GOX (and US$ 1.25 for international) is too high, It should be same and in-line as at other AAI airports since all services provided in this regard are same. Please note that the high fees sets a precedent for other private airports hence it is important to bring down the rate to be in line with tariff at AAI airports.<br><br>(ii) whatever bouquet of services is agreed between the GIAL and the service provider, this is enforced upon the airlines and the airlines have no say on the prices (or unbundling), even if the airlines do not require all the services; and<br><br>(iv) the rates are in foreign currency at certain airports, making airlines vulnerable due to currency fluctuations. The same may kindly be published and applied in Indian currency only.<br><br>(v) there are differential CUTE charges for international and domestic pax without any substantial rationale, since the ICT/CUTE services used are same for both types of customers. Hence there should be only one uniform CUTE charge for domestic and international both passengers. |

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| | | Thus, AERA is kindly requested to intervene and kindly regulate the CUTE, CUPPS, CUSS prices as per the AERA Act, with transparency to all stakeholders.<br><br>**3)** We observed that there is no mention of Aviation Security Fee ("ASF") in the Annual Tariff proposal by GIAL. 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 GIAL, if any.<br><br>**4)** Further, FIA recommends AERA to add Note of the Annexure A, as follows:<br>"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".<br><br>**5) Parking Charges ( Notes:- 3)**<br>Refer*:*<br>*"4. For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour"*<br>It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to the "nearest hour"<br><br>**6) Landing Charges:**<br><u>We request AERA to kindly simplify the complex structure of the proposed Landing charges to be applied by GIAL on an 'Morning', 'Evening' & 'Night' basis, airlines will have to bear investment costs of customizing their systems without any incentives.</u><br><br>As an illustration, if the scheduled landing was to be at 'Morning' time (between 7:00 AM to 12:29 PM, but the actual landing (due to any reason whatsoever, including but not limited to uncontrollable factors such as weather, ATC, etc.) is during an 'Evening' time (i.e., between 1:00 PM to 11:59 PM), then what would the Airport Operator charge, kindly clarify. The entire profitability of the route would be affected, as it would be unfair to charge the airline, if at all, the difference between the Evening and Morning rates, due to no fault of the airline.<br><br>In addition, it would require costs for complex software programs and practical difficulty to keep track of such variations, and thus request Authority to simplify the complex tariff structure of the landing charges. |

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| 9. | **Any Other Comment** | Addendum to Order 19/2022-23 dated 11th September 2023 ('**Addendum Order**'):<br><br>The Addendum Order increases the landing charges by 50% & UDF have increased by 67% for the period 1.10.2023 to 31.12.2023.<br><br>FIA submits that AERA is requested to maintain status quo in the existing tariff, until tariff determination process is completed as requested by FIA in its email dated 14th September 2023. Additionally, it may be noted that the GIAL have not proposed such increase in landing and UDF charges in its own submission of tariff card on 7th September 2023.<br><br>**Shrinkage in Control Period**<br>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...'*<br><br>FIA appreciates, AERA's efforts of spending considerable time in consultation process and assessment of the information provided by Airport Operator. However, despite relying on information provided by the Airport Operator in many instances there is an inordinate delay in tariff fixation, which has diminished the effective Control period of 60 months by 9-10 months and will lead to burdening of passengers travelling during balance period of 52 months. This further leads to a mismatch between the recovery of target revenue with the actual/projected revenue.<br><br>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 GIAL - First Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2023. |

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| | | **Royalty**<br><br>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.<br><br>It is general perception 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.<br><br>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.<br><br>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.<br><br>The rates of royalty at the airport are as high as up to 30.5% 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.<br><br>This is of particular concern at GOX, since as many as seven of the services awarded at GOX (refer para 2.5.7 and Table 5 of the CP) have been to either GIAL’s Holding Company or its Fellow Subsidiary or JVs of Fellow Subsidiary or Companies in the same group.<br><br>In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items.<br><br>**<u>Cost of airport operations:</u>**<br>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. |

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| | | 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.<br><br>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. |