FEDERATION OF INDIAN AIRLINES

Federation of Indian Airlines
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Website: www.fiaindia.in

URGENT &
IMPORTANT

12 February 2024

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: FIA response to the AERA Consultation Paper No. 23/2023-24 dated January 13th, 2024 on determination of Aeronautical Tariff for Jay Prakash Narayan International Airport, Patna (‘Patna International Airport or PIA’) for the Second Control Period (01.04.2023 – 31.03.2028)

Ref: AERA stakeholder consultation (virtual) meeting dated 23rd January 2024.

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. 23/2023-24 issued by the Airports Economic Regulatory Authority of India (“**AERA**” or “**Authority**”) in the matter of determination of Aeronautical Tariff for **Jay Prakash Narayan International Airport, Patna (‘**Patna International Airport’ or (PIA) for the Second 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 23rdJanuary 2024.

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*.

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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 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 PIA 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 Second 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.

Yours Truly,

For and on behalf of the Federation of Indian Airlines,

Ujjwal Dey

UJJWAL DEY
Associate Director

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

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.

Particulars	Units	Tariff Proposed by AERA				
	MT	FY 2023-24 Existing Rates	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)	FY 2026-27 Tariff w.e.f. 01.04.2026 to 31.03.2027)	FY 2027-28 Tariff w.e.f. 01.04.2027 to 31.03.2028)
LANDING CHARGES						
DOMESTIC (INR/MT)						
	Above 25MT up to 50 MT	@ Rs. 4625 + 324 per Hr per MT in excess of 25 MT	@ Rs. 7600 + 533 per Hr per MT in excess of 25 MT	@ Rs. 8050 + 565 per Hr per MT in excess of 25 MT	@ Rs. 8525 + 599 per Hr per MT in excess of 25 MT	.@ Rs. 9025 + 635 per Hr per MT in excess of 25 MT
	Above 50 MT up to 100 MT	@ Rs. 12725 + 371 per Hr per MT in excess of 50 MT	@ Rs. 20925 + 610 per Hr per MT in excess of 50 MT	@ Rs. 22175 + 647 per Hr per MT in excess of 50 MT	@ Rs. 23500 + 686 per Hr per MT in excess of 50 MT	@ Rs. 24900 + 727 per Hr per MT in excess of 50 MT
Eg: Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	6245	10265	10875	11520	12200
B737-800 (AUW 79016) (Rs.)	79 MT	23484	38615	40938	43394	45983
Variance % from existing	Q-400		64%	74%	84%	95%
	B737-800		64%	74%	85%	96%

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			PARKING CHARGES			
DOMESTIC INR Per HOUR /MT)(for 1st 2 chargeable hrs)						
	Above 25MT up to 50 MT	@ Rs. 84.40 + 4.5 per Hr per MT in excess of 25 MT	@ Rs. 138.55 + 7.40 per Hr per MT in excess of 25 MT	@ Rs. 146.85 + 7.85 per Hr per MT in excess of 25 MT	@ Rs. 155.65 + 8.30 per Hr per MT in excess of 25 MT	@ Rs. 165.00 + 8.80 per Hr per MT in excess of 25 MT
	Above 50 MT up to 100 MT	@ Rs. 196.85 + 9 per Hr per MT in excess of 50 MT	@ Rs. 323.55 + 14.80 per Hr per MT in excess of 50 MT	@ Rs. 342.95 + 15.70 per Hr per MT in excess of 50 MT	@ Rs. 363.55 + 16.65 per Hr per MT in excess of 50 MT	@ Rs. 385.35 + 17.65 per Hr per MT in excess of 50 MT
Eg: Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	106.9	175.55	186.1	197.15	209
B737-800 (AUW 79016) (Rs.)	79 MT	457.85	752.75	798.25	846.4	897.2
Variance % from existing	Q-400		64%	74%	84%	96%
Variance % from existing	B737-800		64%	74%	85%	96%
			UDF			
DOMESTIC	Per Embarking	204	660	750	900	1,050
Variance % from existing			224%	268%	341%	415%
Variance from YOY			224%	14%	20%	17%

Refer the above displayed table, kindly note the following:

1. **Landing Charges:** AERA has proposed to increase the Landing Charges on Q-400 (80 & above seater) and on Boeing, for all flights between 64 % to 96% approx., for the second control period from the existing charges.

2. **Landing Charges:** It is noted that although the airport operator has requested substantially less increase in the landing charges, AERA has proposed a higher landing charge. This is despite the fact that the proposed Capex as well as O&M expenses have been proposed to be reduced by AERA. AERA is requested to review the proposed increase in the landing charges accordingly.

3. **Parking Charges:** AERA has proposed an increase in the Parking between 64% to 96 % on all Passenger flights for the Second Control Period from the existing charges.

4. **UDF:** AERA has proposed an increase in the UDF between 224% to 415% on all Passengers for the Second 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.

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Annex B

We humbly request AERA not to implement any increase in the aeronautical tariff in the Second Control Period. In addition, without prejudice to above, we request AERA to kindly note our submissions to the AERA C.P. No. 23/2023-24 on determination of Aeronautical Tariff for Jay Prakash Narayan International Airport, Patna ('Patna International Airport or PIA') for the Second 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 and 3.3.1** 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	**Methodology for Tariff Determination – Hybrid Till Vs. Single Till**	**Para 3.1.2** It is observed that AERA have determined tariffs using the 30% Hybrid Till model including true ups, as applicable. FIA has 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. 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.
3.	**True up for First Control Period**	**Para 4.5.1 & 4.5.3** 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. **(b)** We observe that the Fair Rate of Return of 12.90 % provided to the PIA is higher in comparison to some of the Airports such as Chennai (11.98%), Cochin (11.63%) and Pune (11.68%). Without prejudice to the above, there appears to be no rationale to provide higher return to PIA and accordingly AERA may reduce the FRoR suitably. **<u>Para 4.7.4 (b)</u>** It has been noted by AERA that AAI has paid interest/penalties to Government of India at both CHQ and RHQ levels. We appreciate that AERA holds a considered view that stakeholders should not be burdened with interest/penalties paid to the Government of India, due to various lapses/delays on the part of the Airport Operator.
4.	**Traffic for Second Control Period**	**<u>Para 5.2.7 and Table 28</u>** While we appreciate that AERA has computed the traffic forecast after considering the forecasted data published by ACI and IATA (refer para 5.2.5 and 5.2.6), 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 AERA, 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, as the same are due to unusual factors including but not limited to the geo-political causes etc. Hence, we request that AERA may kindly take the same into consideration and appoint independent consultants to evaluate the same while finalising the projected Annual Traffic Movement and passengers.
6.	**Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the Second Control Period**	FIA submits that, the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by considering the following:

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Para 4.4.5

It may be noted that AERA itself has analyzed the variances between the approved Capex for the First Control Period and the non-implementation of 95% of the approved Capex, which is generally the case in most AAI airports.

In this regard, we request AERA to take cognizance of the fact and conduct an independent study for estimating the capex requirement, which shall be commissioned prior to approving this control period's tariff order.

Para 6.2.11

We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13th 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.

We note in Para 2.1.7 that AERA has conducted an in-depth analysis of the MYPT submissions made by the Airport operator by an independent consultant, which is appreciated.

It is also requested that AERA conduct an independent study for determining the efficient and reasonable Capex for Second Control Period before issuing the final tariff order.

It is also requested that AERA should direct PIA to encourage implement methods and means to increase the traffic to the airport in the upcoming years to justify the designed capacity.

Para 6.2.9

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 can be made by AERA during the tariff determination process for the Second Control Period.

Para 6.2.10

AERA has considered the Terminal Building Ratio ('TBLR') of 90:10 for the Second Control Period.

However, considering that Patna is a major tourist destination and has potential of higher non-aero revenue, the non-aeronautical ratio proposed by PIA appears to be on the lower side.

Further, keeping in view the fact that PIA have underutilized infrastructure and terminal space which can be better utilised towards increasing their non-aeronautical activities. We request AERA to allot the best possible ratio towards NAR as deemed appropriate. In view of that, we request AERA to:

a) To consider the highest possible non-aeronautical allocation in case of PIA.

b) To undertake detailed scrutiny examination with the assistance of an independent study for asset allocation, which is a standard practice done by AERA for PPP model airports on or before the tariff determination.

FIA submits that this study will assist to ensure correct assessment of allocation of assets, which is a standard practice followed by AERA.

Para 6.2.3

It is understood that the last AUCC held by PIA in respect of capital expenditure proposed for PIA was in 2019, which was almost 5 years ago. PIA is requested to hold regular AUCC meetings as per the requirements in the interest of transparency and interest of all stakeholders.

Para 6.3.5 Table 40

In this regard, we request AERA to seek for more justification from PIA on the depreciation of assets and scrutinize the depreciation rates instead of basing it solely on opening blocks of assets and proposed capital expenditure.

We further request to conduct an independent study on depreciation, as it does not provide clarity on the percentage of depreciation applied.

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.

7.	**Fair Rate of Return (FRoR) for the Second Control Period**	**Para 7.2.1, 7.2.2, 7.2.3 and Table 46,47 and 48** It is observed that AERA considered FRoR of 13%, with cost of equity at 14%, cost of debt at 8.10%, which is calculated on the basis of cost of equity and debt. However, it may be noted that AERA in recent times, have approved lower FRoR for other AAI airports (Third Control Period), such as Chennai (11.98%), Pune (11.68%), and Cochin (11.63%). In this regard, AERA may consider: (a) to conduct an Independent Equity and FROR study; (b) consider the fact that airport industry in India has been established, hence the risk is lower as this is a cost-plus margin business; and (c) to review the financial closures details, debt to equity ratio based on actual weighted average rather than a notional percentage. Further, it is to be noted, that while such fixed/ assured return favours the service provider/airport operators, 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, in excess of six (6) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after 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.

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8.	**Operation and Maintenance Expenses for the Second Control Period**	**Para 9.2.1** FIA submits that, as observed by AERA itself, that there has been major variance (INR 100.07 Crores) in the O&M expenses approved by AERA for First Control Period from the actuals submitted by PIA. Further, PIA has increased the O&M expenses for the Second Control Period by 84% from the First Control Period, even though there has not been implementation of major Capex projects such as construction of Terminal building. In this regard, we request AERA to kindly rationalise the O&M expenses by conducting an independent study on the actual requirement of O&M for this Control Period **Para 9.2.14** We are in agreement with AERA that AAI should increase the power recovery from the Concessionaires, and also agree to AERA proposal to consider power recoveries at a notional rate of 25%, while determining tariff for the next Control Period. Thus, PIA 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. **Para 9.2.9, 9.2.18, 9.2.19, Table 55, 56** FIA submits that, in para 9.2.9, AERA for the purposes of estimating manpower expenses have considered a 6% growth rate to 25 % (in the FY 2027-28), which is quite high. Further FIA requests AERA to not provide such huge escalations, for the following: **(i)** Administration and General Expenses-Excluding CHQ/RHQ, (between 6.20 % to 11.69 %) **(ii)** Upkeep expenses (between 0.30 % to 223.09 %) **(iii)** Other Outflow (between 12 to 22% YoY) In view of the above, it is submitted that the current estimated O&M expenses requires further scrutiny by way of an Independent Study in this Control Period such that there may be a reasonable view on the projected O&M expenses rather than depending on the projections made by the airport operator. FIA wishes to highlight that the same has been proven in cases of 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.

		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. 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 Second Control Period, such that the deviations mentioned above are not reported for Second Control Period, which would result in over recovery of ARR in next control period under garb of True up.
9.	**Non-aeronautical revenue for the Second Control Period**	**<u>Para 10.2.2, 10.2.3, 10.2.4, Table 59 & 60.</u>** We are in agreement with AERA that operation and maintenance expenses for PIA have increased substantially as compared to its non-aeronautical revenues. It is a general trend that the non-aeronautical revenue is expected to be in the region of 50% of the operation and maintenance expenses. However, it is noted from this CP that the non-aeronautical revenue is projected by the airport operator to be only about 14% of the OPEX. Even taking into account the reductions in the OPEX proposed by AERA, still the non-aeronautical revenue would remain in the region of 18% of the OPEX, which is too less. Further, it is observed that the Non-Aeronautical Revenues (‘**NAR**’) projected by PIA is substantially low and conservatively estimated, with a standard approach without detailed thought to each line item. It is requested that PIA explores all avenues to maximise revenue from the utilisation of terminal building for non-aeronautical purposes. There appears to be scope of considerable improvement in increasing the NAR. It may be noted 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. 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 the 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. It may be noted that, in 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.

		Patna is widely recognized as one of the fastest growing cities. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically. Accordingly, we request AERA: a) to mandate PIA to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at PIA. b) to kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the FCP. 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 Patna has to increase their NAR in accordance with the submissions above. AERA is requested to ensure no adjustments are proposed to NAR which are not dependent on traffic but are derived from agreements with concessionaires.
10.	**Quality of Service for the Second Control Period**	**<u>Para 12.2.4</u>** It is observed by the AERA that for the CY 2022, there was no parameter on ASQ stipulated in the MOU between AAI and MoCA. AERA and AAI are requested to inform whether there has been any change in the status, and whether there is any likelihood of any parameter on ASQ to be agreed by AAI for PAT. In any event, AAI is expected, at a minimum, to maintain and exceed its current ASQ as well as adhere to the ASQ, if any agreed upon with MoCA, at a later date.
10.	**Proposed Annual Tariff Proposal (Tariff Rate Card) <u>(Refer Annexure II (17.2.)of CP 23/2023-24):</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. 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 the 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 PIA to clarify the following: **1**) Ref: Notes: 1 to User Development Fee (UDF) Charges: We would like to invite AERA's attention to notes 1 of the Annexure II of the CP No.23/2023-24, 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 (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. Please note that the high fees set a precedent for other airports hence it is important to bring down the rate to be in line with tariff at AAI airports. **c)** AERA is kindly requests to add the following exemption to maintain uniformity, as mentioned under Directorate General Civil Aviation ('DGCA') AIC No.14/2019 dated 16.05.2019, DGCA AIC No.06/2023 dated 29th April 2023 and other tariff orders such as for Ahmedabad Airport Order no.40/22-23 for Third Control Period: *"(g) Passenger departing due to involuntary re-routing i.e. technical problems or weather conditions."* **2)** Further, FIA recommends AERA to add Note of the Annexure II, 17.2.4 Notes, 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".

		3) Parking Charges **Refer (Notes 8)** i. Additional parking charges added in the proposed tariff card for parking beyond 24 hours is also excessive since the parking charges after first the two hours are already doubled. A higher fee of INR 20 per hour per MT sets a bad and unacceptable precedent for other private airports hence it is important to bring down the rate to be in line with tariff at AAI airports. ii. FIA requests AERA to provide the definition of 'unauthorised overstay' for clarity on parking charges. **4) Landing Charges (17.2.3)** **Refer (Notes)** We request AERA further clarification on unscheduled flights operated by domestic scheduled operators as the same are currently being charged by PIA. There should be a clarification to this effect since the exemption is provided to domestic scheduled operators and not restricted to only scheduled operations by them.
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...'* FIA appreciates AERA's efforts of spending considerable time in the consultation process and assessment of the information provided by the 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 the balance period of 52 months.

		This further leads to a mismatch between the recoveries of target revenue with the actual/projected revenue. 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. The AERA Tariff Order for PIA - Second Control Period, will now be issued after the commencement of the Control Period i.e., 1 April 2023. **Royalty:** 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 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 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>Cost of airport operations:</u> 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. **Any other Govt. grants/Subsidies:** It is requested that in case there are any Govt. grants/subsidies (State or Central) provided to the airport operator, it should also be factored in for the purpose of tariff determination.

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