



10 April 2024

Director Policy & Statistics
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport, New Delhi – 110003
INDIA

Via email: director-ps@aera.gov.in; rajan.gupta1@aera.gov.in
cc: secretary@aera.gov.in

Dear Sir,

IATA COMMENTS ON AERA'S CONSULTATION PAPER FOR DETERMINATION OF AERONAUTICAL TARIFF FOR JAIPUR INTERNATIONAL AIRPORT (JAI) FOR THE THIRD CONTROL PERIOD

The International Air Transport Association (IATA) is the trade association for the world's airlines, representing some 320 airlines or 83% of the world's air traffic. Many of our member airlines operate in the Indian market – and we support many areas of aviation activity and help formulate industry policy on critical aviation issues.

We appreciate and thank AERA for its due diligence in reviewing the proposal by Airport Operator for Jaipur International Airport. We would like to highlight the below-stated points:

- **Capital Expenditure (Capex)**
 - IATA supports AERA's scrutiny and rationalization of Capex for JIAL, as well as the deferment of specific projects. It is important for the Airport Operator (AO) to detail out schedule and planning for the various projects so that operational impacts are minimized for the airport users.

- **Fair Rate of Return (FRoR)**
 - IATA appreciates AERA's close scrutiny and benchmarking with other comparable airports, to have moderated the FRoR for JIAL for the third control period.

 - IATA notes that the Authority has determined exempted traffic as 19% for each tariff year to arrive at the billable domestic ATM. IATA reiterates the position that all users must pay their fair share for the use of facilities and provision of services rendered. Any exemptions (such as for under 80-seater aircraft) driven by State policies should rightfully be funded by the government in line with ICAO's non-discrimination and cost relatedness principles.



- Non-Aeronautical Revenue

- The Airport Operator (AO), via a tendering process, has outsourced all non-aeronautical businesses to the Master Concessionaire, Adani Airport Holdings Limited (AAHL), for which, JIAL will be paid either a minimum guaranteed amount of ₹ 15 Crores per annum or 10% of the gross revenue of the Master Concessionaire.
- The Non-Aeronautical Revenue (NAR) projected due to such an arrangement by the JIAL is significantly lower compared to the NAR generated in the previous control period when the airport was operated by the Airports Authority of India. It is also much lower in comparison to the 'NAR / O&M' ratio at other PPP airports in India.
- As in the case of Ahmedabad, Lucknow and Thiruvananthapuram airport tariff proposals submitted by Adani Airports earlier, we are once again concerned that the NAR which is meant to cross-subsidize the Aeronautical charges, are under-developed and under-projected in the case of Jaipur airport as well. AERA has correctly highlighted that the NAR projected is lower than when the airport was under AAI; and that the increase in non-aeronautical activities with the terminal expansion has not been factored in. We appreciate AERA's scrutiny on this aspect.
- Additionally, we once again highlight that the airport operator JIAL, having entered into a Master Services Agreement (MSA) with its parent company AAHL, is supposed to pay the JIAL a minimum guaranteed amount or 10% of the 'Gross Revenue', whichever is higher. The 'Gross Revenue' referred to in the MSA is in fact the NAR of the airport – and under the hybrid till mechanism, 30% (and not 10%, or even a minimum guaranteed amount of Rs. 15 Cr.) of the NAR is to be used to offset aeronautical costs. While the AO's submission makes a mention of 'Revenue from Master Service Agreement', the component necessary for tariff determination purposes has to be 30% of total NAR; and not 30% of the 10% MSA Revenue Share (30% of 10% of total NAR is in fact only 3% of the total NAR earned). The current arrangement of including a Master Concessionaire between the NAR flowing to the AO, significantly reduces the level of effective NAR for the tariff determination by AERA and cannot be justified.
- We also appreciate the scrutiny undertaken by AERA to highlight the highly restrictive financial and technical eligibility criteria for participation in the tendering process for the Master Concessionaire, which led to AAHL – the parent company of JIAL, being appointed as the Master Concessionaire.
- IATA urges the Authority to correct the AO's understanding by explicitly stating/confirming in the final Order that:
 - 30% (in adherence to the hybrid till policy, and not any lower) of the total NAR of the Airport is to be recognized in offsetting aeronautical costs; and
 - The level of 'Revenue from Master Service Agreement' earned by the AO is not material to tariff determination. This will help bring back the NAR from its current artificially low levels in the airport's current understanding.
- IATA would also expect that any shortfall in the NAR will NOT be trued up in the next control period.



- Quality of Service for the Third Control Period
 - The 'AERA Act' does explicitly state that determination of tariff by AERA will take into consideration "the service provided, its quality and other relevant factors".
 - IATA would urge the Authority to ensure that service quality at the JIAL Airport over the duration of the Third Control period conforms to performance standards indicated in the Concession Agreement. IATA would thus request that the service quality metrics and performance of JIAL against those obligations, be made available by the AO.

- Tariff Card
 - IATA would urge that the steep increase in landing charges being sought by the airport operator be moderated by the Authority.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Amitabh", with a stylized flourish at the end.

Amitabh KHOSLA
Country Director - India
khoslaa@iata.org

cc. Richard Tan, IATA Regional Manager Operations, Safety and Security – Asia Pacific