

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
RAJYA SABHA
UNSTARRED QUESTION NO : 1
(TO BE ANSWERED ON THE 22nd July 2024)

**HIKE IN USER DEVELOPMENT FEE AT THIRUVANANTHAPURAM
AIRPORT**

1. SHRI SANDOSH KUMAR P

Will the Minister of CIVIL AVIATION be pleased to state:-

- (a) whether Government is aware of the recent hike in airport user fees at the Thiruvananthapuram airport;
- (b) the rationale behind increasing the user fee by more than fifty per cent without considering the negative impact of such a hike on passengers;
- (c) whether Government is planning to intervene and reduce the user fee considering the difficulties of the passengers;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION

(Shri Murlidhar Mohol)

(a): Airports Economic Regulatory Authority of India (AERA), vide Order dated 21.06.2024 has determined the tariff for Thiruvananthapuram International Airport for Third Control Period (01.04.2022 to 31.03.2027) wherein AERA has allowed higher aeronautical charges including User Development Fee (UDF). This Order is effective from 01.07.2024.

(b) to (e): Government of India has established an Independent Economic Tariff Regulator i.e. AERA in 2009, under the AERA Act, 2008 to determine tariff for aeronautics service provided at major airports. AERA determines aeronautical charges of all the major airports such as landing, parking and UDF inter-alia considering the following factors :-

- (i) Return on Investment for aeronautical assets,
- (ii) Operating expenditure,
- (iii) Depreciation,
- (iv) Tax .

AERA determines aeronautical tariff of major airports under price cap mechanism

in accordance with AERA Act and AERA guidelines issued from time to time for a control period of 5 years, as a measure of the above factors and duly considering 30 percent of non- aeronautical revenue, under Hybrid Till mechanism for cross subsidisation.

AERA has determined the tariff for Thiruvananthapuram Airport for the Third Control Period after following transparent consultation process with stakeholders and has allowed higher tariff due to following reasons:

(i) The aeronautical tariff for the Second Control Period was determined in June, 2017 which set the Aggregate Revenue Requirement to be recovered from Landing, Parking, and UDF charges. The recovery of these charges depends on the airport traffic. COVID-19 pandemic significantly reduced the traffic, leading to an under-recovery of Rs.789.29 crores for the second control period. This amount had to be added to the revenue requirement for the current control period, as per tariff guidelines.

(ii) During the Second control period, the airport was handed over to a PPP partner by Airports Authority of India (AAI) for operation, management and development on 14.10.2021. As per the provisions of the Concession Agreement, signed by the Concessionaire with AAI, the Concessionaire was prevented from seeking tariff increase for next control period for 365 days from the date of taking over the airport operations. This transition also delayed the tariff determination process for the Third Control Period resulting in a shorter period availability for tariff recovery, i.e. less than three years period against the full period of five years.

Due to the factors mentioned above, the tariff charges as of 31.03.2021 were extended until 30.06.2024 meaning that the tariff remained unchanged for more than three years.

AERA aims to optimally balance the interest of service provider and the end user and ensures that the airport operator maintains and operates the airport with reasonable return on investment consisting with risk profile by following the statute provisions and tariff guidelines which protects the interests of Airport Operator, Airlines and passengers, at large.
