

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 478
(To be answered on the 25th July 2024)**

USER DEVELOPMENT FEE

478. SHRI K C VENUGOPAL

Will the Minister of CIVIL AVIATION

नागर विमानन मंत्री

be pleased to state:-

- (a) the specific reasons for the recent increase in the User Development Fee (UDF) at Thiruvananthapuram Airport;**
- (b) the factors considered in making this decision;**
- (c) the manner in which the Ministry assess the impact of the UDF hike on airfares and passenger affordability at Thiruvananthapuram Airport;**
- (d) the measures being taken to mitigate any negative effects;**
- (e) whether landing charges for aircraft at Thiruvananthapuram Airport been raised in conjunction with the UDF hike; and**
- (f) if so, the reasons therefor?**

ANSWER

Minister of State in the Ministry of CIVIL AVIATION

नागर विमानन मंत्रालय में राज्य मंत्री

(Shri Murlidhar Mohol)

(a) to (f): 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 (landing, parking and UDF) 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.
