

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
Lok Sabha
STARRED QUESTION NO. : 299
(TO BE ANSWERED ON THE 20th March 2025)

USER DEVELOPMENT FEE

299. PROF VARSHA EKNATH GAIKWAD
SMT SUPRIYA SULE

Will the Minister of CIVIL AVIATION

be pleased to state:-

- (a) the percentage of the increased User Development Fee and other charges that are reinvested into improving airport infrastructure and facilities;**
- (b) whether the Government has issued any guidelines to ensure that these revenues are directed towards passenger-centric improvements rather than private profit maximization and if so, the details thereof along with the mechanism in place to ensure it;**
- (c) whether there is transparency in the collection and utilization of passenger fees for development of airports and if so, the details thereof;**
- (d) whether the Government or the Airports Economic Regulatory Authority publishes reports on the manner of spending passenger fees and if so, the details thereof;**
- (e) the steps taken by the Government to ensure that private airport operators maintain financial accountability regarding these revenues;**
- (f) whether the passengers have observed noticeable improvements in airport infrastructure and services in return for the increased airport charges and if so, the details thereof; and**
- (g) the key enhancements made across major private and public airports during the last three years?**

ANSWER

Minister of CIVIL AVIATION (Shri Kinjarapu Rammohan Naidu)

(a) to (g): A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (G) OF LOK SABHA STARRED QUESTION NO. 299* FOR REPLY ON 20.03.2025 REGARDING "USER DEVELOPMENT FEE" ASKED BY PROF. VARSHA EKNATH GAIKWAD AND SMT. SUPRIYA SULE; (a): User Development Fee (UDF) and other charges are part of the overall Airport Charges for the aeronautical services rendered at the Major Airports for the provision of passenger amenities, services, and facilities as well as for the development, management, maintenance, operation, and expansion of the airport. As per the provisions of the AERA Act 2008 and Tariff Guidelines, 2011, the Airports Economic Regulatory Authority (AERA) determines such tariffs including UDF for the aeronautical services provided at the Major Airports. These Airport Charges including UDF are meant to recover the efficient cost of running airport operation, as well as to recover a reasonable return on the capex infused for aeronautical assets created for expansion/ upgradation/ modernization of airport infrastructure and passenger facilities in order to ensure economic and viable operations of the airport. In other words, UDF and other aeronautical charges enables the airport operator to recover his target revenue required for providing airport services and not for creating any surplus funds in the hands of the airport operator.; (b) to (e): The Government of India established the Airports Economic Regulatory Authority of India (AERA) in 2009 under an Act of Parliament as an independent economic tariff regulator. AERA is responsible for determining tariffs for aeronautical services at major airports, including User Development Fees (UDF), landing charges, and parking fees considering the following factors: (i) Return on Investment (RoI) for aeronautical assets (ii) Operating expenditure (iii) Depreciation (iv) Taxes AERA regulates aeronautical tariffs using a 'cost plus' mechanism for a

control period of five years, ensuring a fair balance between the interests of airport operators and passengers. UDF and other charges are allowed by AERA to airport operators for recovering their investment for upgradation/modernization or new infrastructure development at the respective airports to meet both current and future passenger demand. Therefore, these charges are in lieu of investment made by the airport operators for development of airport infrastructure/aeronautical assets and operation of the airport only.; Furthermore, to maintain transparency and encourage stakeholder participation, AERA conducts extensive consultations while determining airport tariffs. It publishes a draft consultation paper on its website, detailing its regulatory approach and the financial aspects of the respective airport. This framework ensures that passenger fees are utilized effectively for airport development while upholding financial accountability and promoting sustainable growth in the aviation sector.; (f) & (g): Airport infrastructure has significantly improved across the country. In the past 3 years several new terminal buildings have been inaugurated at major airports, including Chennai, Bangalore, Port Blair, Lucknow, Jaipur, Tiruchirappalli, Pune etc. and major expansion / upgrades at Delhi, Hyderabad etc., featuring enhancements such as additional runways, new taxiways, and increased terminal capacities to accommodate growing passenger traffic.; Further, development and upgradation of airports by way of capital investment at Indian airports have received appreciation from the passengers globally which is reflected from the improvement in the ranking of both PPP and AAI airports in their respective categories in the Airport Service Quality (ASQ) ratings published by the Airports Council International and Skytrax Research Awards.
