12 March 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 THIRUVANANTHAPURAM INTERNATIONAL AIRPORT (TRV) 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 Thiruvananthapuram International Airport. We would like to highlight the below stated points:

- The Non-Aeronautical Revenue (NAR) projected by the Airport Operator is 65% lower compared to the NAR generated in the previous control period when the airport was operated by the Airports Authority of India.

  As in the case of Ahmedabad & Lucknow 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 Thiruvananthapuram (TRV) 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-aero activities with the terminal expansion has not been factored in. We appreciate AERA for closely overseeing this aspect.

- Additionally, we once again highlight that the Airport operator TKIAL has entered into a Master Services Agreement (MSA) with Adani Airport Holdings (AAHL), which is supposed to pay the TKIAL a minimum guarantee amount of Rs. 20 Cr 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 an absolute amount of Rs. 20 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.

- IATA is concerned with the extremely restrictive criteria for bids for the Master Services Agreement – and agrees with AERA's own highlighting of the restrictive technical eligibility criteria (100,000 sqm of commercial space development/management), as well as the restrictive financial eligibility criteria (annual turnover of Rs 750 crore and net worth of Rs 250 crore needed for a project work value of Rs 100 crore).

- 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.

Yours Sincerely,

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