

25 Years of the TRAI Act, 1997

Way Forward for the Stakeholders

Airports Economic Regulatory Authority of India (AERA)

Date : March 13, 2022

INTRODUCTION

- ❖ **The Airports Economic Regulatory Authority (AERA) is a statutory body constituted under the Airports Economic Regulatory Authority of India Act, 2008 vide Gazette Notification dated 5th December 2008.**
- ❖ **Objectives of the Independent Regulator are:**
 - **To create a level playing field**
 - **To foster healthy competition amongst all major airports**
 - **To regulate tariff for aeronautical services**
 - **To monitor performance standards**

MAIN FUNCTIONS OF AERA

To determine :

- ❖ **Tariff for the Aeronautical services.**
- ❖ **User Development Fee.**
- ❖ **To monitor the set performance standards relating to quality, continuity and reliability of the service at the airport.**
- ❖ **Tariff determined once in five years.**
- ❖ **India follows Shared/Hybrid Till : Aero + 30% of Non-Aero Revenue (Ref NCAP : 2015-16)**

AERONAUTICAL SERVICES

- ❖ **Aeronautical Navigational Service***
- ❖ **Landing, Housing or Parking of an aircraft or any other ground facility for aircraft operations at an airport;**
- ❖ **Fuel**
- ❖ **Ground handling services**
- ❖ **Cargo facility**

*** ANS charges not determined by AERA at present. It is determined by MOCA**

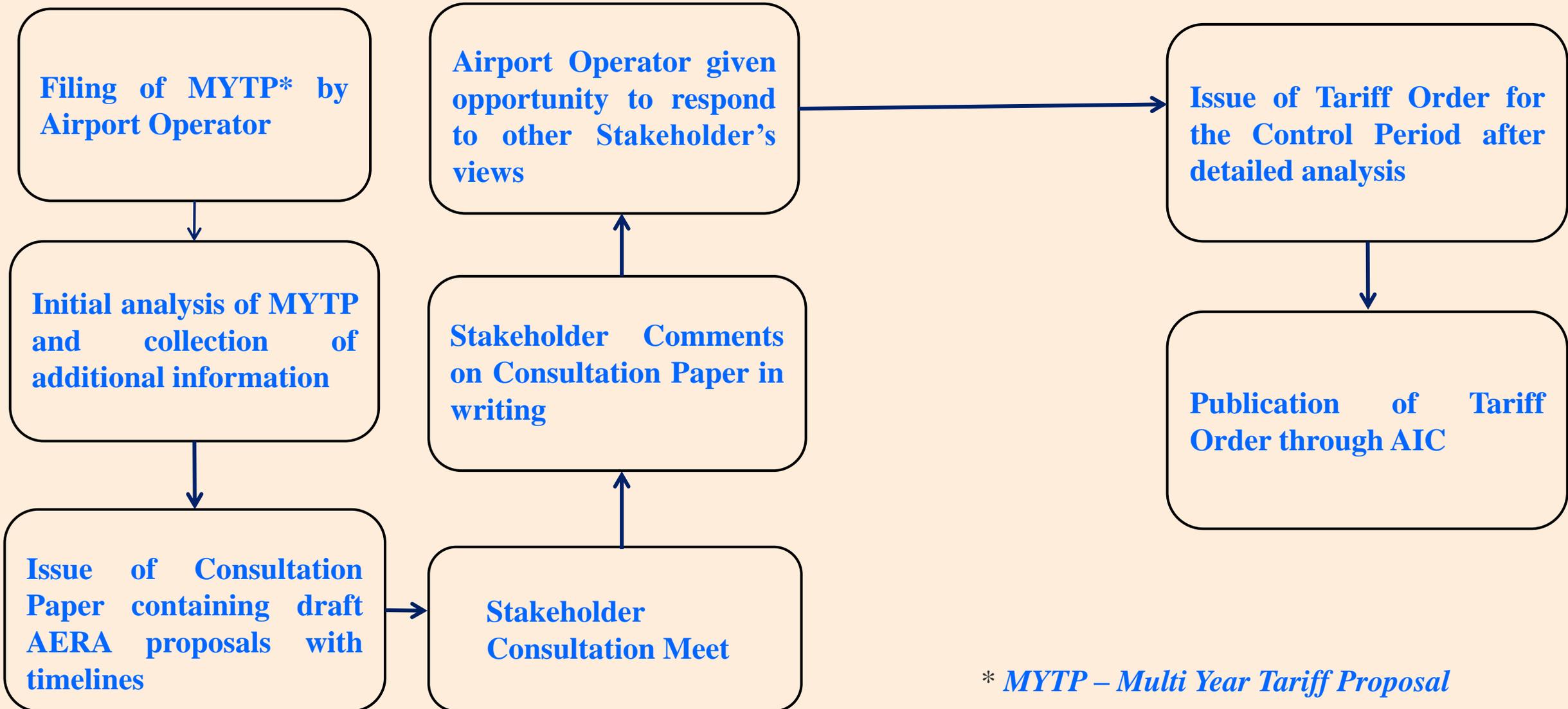
MAJOR AIRPORTS

- ❖ AERA mandate is only for the Major Airports
- ❖ Major Airport - “Major Airport means - any Airport which has, or is designated to have, annual passenger throughput in excess of three and a half million or any other Airport or a group of Airports as the Central Government may, by notification, specify as such.”
- ❖ Presently, there are 26 Major Airports in the country.

Type of Airports	No.	Name of Airports
PPP/JVC/Leased Airports	13	Delhi, Mumbai, Hyderabad, Bengaluru, Cochin, Kannur, Lucknow, Mangalore, Ahmedabad, Jaipur, Guwahati and Trivandrum * Chandigarh
AAI Airports	12	Calicut, Chennai, Kolkata, Bhubaneswar, Patna, Amritsar, Varanasi, Raipur and Trichy * Pune, Srinagar and Goa
State Airport	1	Shirdi Airport
Total Airports	26	

* Civil Enclave

STEPS IN TARIFF DETERMINATION



* *MYTP – Multi Year Tariff Proposal*

TARIFF DETERMINATION METHODOLOGY : AIRPORTS

❖ **Tariff determined - once in five years**

❖ **Price Cap (Cost Plus) Method adopted**

❖ **Building blocks for Tariff Determination:**

$$ARR = (RAB \times FROr) + D + O + T - 30\% \text{ of } NAR$$

❖ **ARR is recovered from Aero charges from the following**

- **Airlines - Landing, Parking, Housing**
- **Passengers – UDF**

• **ARR – Aggregate Revenue Requirement**

• **RAB – Regulatory Asset Base**

• **FROr – Fair Rate of Return**

• **D – Depreciation**

• **O – Operation & Maintenance Expenditure**

• **T – Tax**

• **NAR – Non Aero Revenue**

TARIFF DETERMINATION METHODOLOGY- ISPs

- ❖ **Tariff determined - once in Five year**
- ❖ **AERA issued separate Guidelines for Cargo, Ground Handling and Fuel Supply (CGF)**
- ❖ **Regulatory Mechanism**
 - **Price Cap (Cost Plus) Method adopted - Material and No Competition**
 - **Light Touch Approach - Linked to Materiality Assessment/Competition / User Agreements.**

THANK YOU