

REPORT NO.

292



सत्यमेव जयते

PARLIAMENT OF INDIA
RAJYA SABHA

**DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE
ON TRANSPORT, TOURISM AND CULTURE**

TWO HUNDRED NINETY SECOND REPORT

**The Airports Economic Regulatory Authority of India
(Amendment) Bill, 2021**

(Presented to the Rajya Sabha on 22nd July, 2021)
(Laid on the Table of Lok Sabha on 22nd July, 2021)



Rajya Sabha Secretariat, New Delhi
July, 2021/ Ashadha, 1943 (Saka)

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**RAJYA SABHA SECRETARIAT
NEW DELHI**

July, 2021/ Ashadha, 1943 (Saka)

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*To be appended

COMPOSITION OF THE COMMITTEE

(2020-21)

(Constituted on 13th September, 2020)

1. **Shri T.G. Venkatesh** - Chairman

Rajya Sabha

2. Shri Prasanna Acharya
3. Shri Sambhaji Chhatrapati
4. Dr. Sonal Mansingh
5. Shri Derek O'Brien
6. Shri Tiruchi Siva
7. Shri Dharmapuri Srinivas
8. Shri Vinay Dinu Tendulkar
9. Shri K.C.Venugopal
10. Shri Sushil Kumar Modi

Lok Sabha

11. Shri Anto Antony
12. Shri Margani Bharat
13. Shri Tapir Gao
14. Shri Rahul Kaswan
15. Shri Ramesh Chandra Majhi
16. Shri Sunil Baburao Mendhe
17. Shri K. Muraleedharan
18. Shri S.S. Palanimanickam
19. Shri Chhedi Paswan
20. Shri Kamlesh Paswan
21. Shri Sunil Kumar Pintu
22. Shri Prince Raj
23. Shri Tirath Singh Rawat
24. Shrimati Mala Roy
25. Shri Rajiv Pratap Rudy
26. Shri Dushyant Singh
27. Shri Rajbahadur Singh
28. Shri Ramdas Chandrabhanji Tadas
29. Shri Manoj Tiwari
30. Shri Krupal Balaji Tumane
31. Shri Dinesh Chandra Yadav

SECRETARIAT

Dr. Shikha Darbari, Joint Secretary & Financial Advisor
Shri P. Narayanan, Director
Shri Dinesh Singh, Additional Director
Shri Rajendra Prasad Shukla, Additional Director
Ms. Catherine John L., Under Secretary

INTRODUCTION

I, the Chairman of the Department-related Parliamentary Standing Committee on Transport, Tourism and Culture, having been authorized by the Committee to present on its behalf, do hereby present this Two Hundred Ninety Second Report of the Committee on The Airports Economic Regulatory Authority of India (Amendment) Bill, 2021*.

2. The Bill was introduced in the Lok Sabha on the 24th March, 2021. In pursuance of rules relating to the Department-related Parliamentary Standing Committees, the Hon^{ble} Chairman, Rajya Sabha, referred** the Bill to the Committee on the 26th April, 2021 for examination and report within three months.

3. The Committee took oral evidence of the Secretary and other officers of the Ministry of Civil Aviation at its meeting held on the 24th June, 2021.

4. The Committee considered and adopted the draft Report on the Bill in its meeting held on 20th July, 2021.

5. The Committee wishes to express its thanks to the Secretary and other officers of the Ministry of Civil Aviation for the assistance and inputs provided during deliberations on the provisions of the Bill.

NEW DELHI;
July 20, 2021
29 Ashadha, 1943 (Saka)

(T.G. Venkatesh)
Chairman,
Department-related Parliamentary Standing
Committee on Transport, Tourism and Culture,
Rajya Sabha

* Published in Gazette of India Extraordinary Part-II, Section-2, dated 26th March, 2021.

**Rajya Sabha Parliamentary Bulletin Part-II No. 60783, dated 3rd May, 2021.

Acronyms

AERA	:	Airports Economic Regulatory Authority
Mppa	:	Million passengers per annum
AAI	:	Airports Authority of India
PPP	:	Public Private Partnership
MoCA	:	Ministry of Civil Aviation

REPORT

The Airports Economic Regulatory Authority of India (Amendment) Bill, 2021 was introduced in Lok Sabha on 24th March, 2021. Hon'ble Chairman, Rajya Sabha, in consultation with the Hon'ble Speaker, Lok Sabha referred this Bill on 26th April, 2021 to the Department-related Parliamentary Standing Committee on Transport, Tourism and Culture for consideration, examination and report within three months.

2. In the background note furnished by the Ministry on the Bill, it has been stated that pursuant to the opening of the airport sector to private players in 2006, a need was felt to put in place an independent regulator for determining tariffs for the aeronautical services. Accordingly, AERA Act was enacted in 2008 and an independent economic regulator, *i.e.*, Airports Economic Regulatory Authority (AERA) was established in 2009 for determining the tariff for aeronautical services rendered at Major Airports. AERA follows cost plus philosophy for determining the tariff at Major Airports. The initial Benchmark passenger throughput to qualify as major airport was 1.5 million passenger per annum (mppa), which was amended in 2019 to make it as 3.5 mppa. At present, there are 24 major airports for which tariffs are determined by AERA. In respect of Non-Major Airports of Airports Authority of India (AAI), Ministry of Civil Aviation approves the charges for aeronautical services.

Need for amendment to AERA Act

3. AAI has awarded six airports for operations, management and development under Public Private Partnership (PPP) in 2019. Further, AAI Board in its 190th Meeting held on 5.9.2019 has approved leasing of another six airports namely, Bhubaneswar, Varanasi, Amritsar, Raipur, Indore and Trichy for undertaking operations, management and development through PPP. A suggestion has been made to club each of these airports with nearby smaller airports for the purpose of joint development. The clubbing/pairing of smaller/non-profitable airports with profitable airports, as a package to bidders/investors for next phase of PPP of Airports would ensure integrated development of smaller and non-profitable airports with profitable airports. Further, smaller airports would also be developed faster through professional efficiency of private operators. At present, tariffs for aeronautical services of major airports are determined by AERA on a standalone basis and there is no provision in the AERA Act for Tariff determination for clubbed/paired airports.

Proposed amendment

4. The existing provisions of the AERA Act provides for the determination of tariffs for aeronautical services in case of a 'major airport' *i.e.*, a single airport on standalone basis. The existing law does not provide for determination of tariff for a group of airports together. Therefore, an amendment has been proposed to insert an enabling provision in the AERA Act for tariff determination of a 'group of airports' by way of amending the definition of 'major airport'.

Justification and implication

5. If tariff for smaller airports is determined on standalone basis, the tariff will be unreasonably high. Therefore, an enabling provision for AERA to determine tariff for a group of airports is proposed by amending the definition of major airports. It would help encourage development of smaller airports. Those airports where currently the traffic potential is low and are loss making are not expected to attract reasonable competitive bids. The intention of the Government is to develop not only the high traffic volume profitable airports, but also the low traffic volume non-profitable airports. This approach would help in development of more number of airports through the PPP route thus, expanding the air connectivity to relatively remote and far-flung areas. The proposed amendment will encourage development of smaller airports along with the bigger airports under PPP mode. The revenue earned by AAI from these airports will be utilized for development of airports in Tier-II and Tier-III cities. Moreover, there is no financial implication to the Central Government.

6. The Department-related Parliamentary Standing Committee on Transport, Tourism and Culture took up the consideration of the Bill in its meeting held on 24th June, 2021. The Secretary, Ministry of Civil Aviation made a presentation on the Bill during the meeting. He traced the background of the Bill and narrated the reasons for the proposed amendment in the principal Act.

7. The Secretary, Ministry of Civil Aviation, while deposing before the Committee, reiterated the fact that the existing provisions of the AERA Act provides for the determination of tariffs for aeronautical services in case of a 'major airport' *i.e.*, a single airport on standalone basis. The existing law does not envisage determination of tariff for a group of airports. An enabling provision for AERA to determine the tariff for a 'group of airports' is proposed by way of amending the definition of 'major airport'.

8. He further informed the Committee that AERA Act was enacted in 2008 and that an independent economic regulator, *i.e.*, AERA was established in 2009 for determining the tariffs for aeronautical services at Major Airports.

9. As per Section 13 of the Act, AERA, *inter alia*, has been mandated to determine the tariff for the aeronautical services rendered at major airports; the amount of the development fees including User Development Fee; and the amount of the passengers service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934.

10. AERA is also mandated to monitor the set performance standards relating to quality, continuity and reliability of services at major airports.

11. Regarding tariff determination at Major airports, the Secretary apprised the Committee that AERA determines the tariffs for airports having passenger throughput of 3.5 Million passengers per annum (mppa) or as notified by the Central Government.

11.1. As on date, AERA determines tariffs for 24 airports, out of which 20 airports have mppa of 3.5 or above and 4 airports viz., Varanasi, Trichy, Amritsar, Raipur have been notified by the Central Government.

12. As regards the tariff determination at Non-Major airports, the Secretary stated that the Non-Major airports belong to the Airports Authority of India (AAI) and that AAI submits the proposed rate card to MoCA for aeronautical services rendered at its non-major airports. He further stated that MoCA approves the aeronautical charges submitted by AAI with modifications, if any.

13. While highlighting the need for amendment to AERA Act, the Secretary stated that AAI has awarded six airports under Public Private Partnership (PPP) in 2019. Decision has been taken to club/pair smaller/non-profitable airports with profitable airports, as a package to bidders/investors under the Asset Monetization Plan for next phase of PPP of Airports. Presently, tariffs for aeronautical services of major airports determined by AERA on a standalone basis. At present, there is no provision in the AERA Act for Tariff determination for clubbed/paired airports.

14. The Secretary, while elaborating upon the advantages of Clubbing/ Pairing of airports, stated that it would facilitate development of both high traffic volume and low traffic volume airports together in a holistic manner; smaller airports would be developed faster through professional efficiency of privatization. It would also create scale of operations, making it an attractive proposition and elicit better response from bidders/investors. Pairing of airports is expected to enhance negotiation capacity of airport operators with the airlines for commercialization and route optimization and generation of non-aero revenue and lead to improved connectivity to the smaller cities and nearby areas realizing the goal of Atma Nirbhar Bharat.

14.1. The Secretary, while deposing before the Committee, stated thus:-

“...What is proposed is to club these small airports which are not viable with the viable airports. Both put together will become a viable entity, and, then, it will be possible for any private partner to bid for the combination of airports. Both put together will become viable; otherwise, these small airports will never get into PPP mode. AERA Act is so designed that it can determine for standalone airports. We do not have provisions for determining tariff for combination of airports. So, this amendment is only a simple amendment which says that AERA can also determine tariff for a group of airports...”

15. While explaining the justification and implication of the Bill, the Secretary stated that if tariff for smaller airports is determined on standalone basis, the tariff will be unreasonably high. Therefore, an enabling provision for AERA to determine tariff for a group of airports is proposed by amending the definition of major airports. Help encourage development of smaller airports.

There are no financial implications to the Central Government. Additional investment for development of smaller airport would increase economic activity and create additional jobs.

16. Further, the Secretary clarified that the tariff as already determined by AERA for Indore, Srinagar, Coimbatore, Vishakhapatnam and Nagpur Airports, shall continue to be applicable for the current control period even though those are not 'major airports' under the increased passenger threshold. Afterwards, the tariff determination shall take place based on the passenger throughput criteria as amended in AERA Act, 2019.

17. The Committee realizes the huge demand for more airports in the country. The Committee recognizes the fact that it is not feasible for AAI to meet the investment requirements to develop and maintain all the airports in the country. The Committee appreciates the inevitable need for Public Private Partnership in the development and maintenance of smaller and unprofitable airports.

18. In view of the above, the Committee appreciates the reasons furnished by the Ministry for introducing the instant Bill, since the proposed change in the definition of the term 'major airport' to include a 'group of airports' would, in effect, enable simultaneous development of smaller and unprofitable airports, alongwith the major airports, in an integrated way. The Committee is of the view that the Bill is needed to address the significant and continuous investment requirements in the airport infrastructure for upgradation/ expansion of capacity and modernization of processes and systems in an equitable manner to ensure that the growth in air traffic is managed efficiently. Therefore, the Committee adopts the Bill without any changes.

19. Clause 1, Enacting Formula and Title are adopted without changes.

RECOMMENDATIONS/OBSERVATIONS – AT A GLANCE

The Committee realizes the huge demand for more airports in the country. The Committee recognizes the fact that it is not feasible for AAI to meet the investment requirements to develop and maintain all the airports in the country. The Committee appreciates the inevitable need for Public Private Partnership in the development and maintenance of smaller and unprofitable airports.

(Para 17)

In view of the above, the Committee appreciates the reasons furnished by the Ministry for introducing the instant Bill, since the proposed change in the definition of the term ‘major airport’ to include a ‘group of airports’ would, in effect, enable simultaneous development of smaller and unprofitable airports, alongwith the major airports, in an integrated way. The Committee is of the view that the Bill is needed to address the significant and continuous investment requirements in the airport infrastructure for upgradation/ expansion of capacity and modernization of processes and systems in an equitable manner to ensure that the growth in air traffic is managed efficiently. Therefore, the Committee adopts the Bill without any changes.

(Para 18)

Clause 1, Enacting Formula and Title are adopted without changes.

(Para 19)