

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
RAJYA SABHA
UNSTARRED QUESTION NO : 12
(TO BE ANSWERED ON THE 25th November 2024)

IMPACT OF THE USER DEVELOPMENT FEE HIKE

12. SHRI C. VE. SHANMUGAM

Will the Minister of CIVIL AVIATION be pleased to state:-

- (a) the specific reasons behind charging User Development Fee (UDF) from air passengers;
- (b) the airports where such UDF is being charged presently;
- (c) the manner in which Government assess the impact of the UDF hike on airfares and passenger-affordability at different airports;
- (d) the measures being taken to mitigate its negative effects;
- (e) whether Government is considering to remove the UDF from the passengers; and
- (f) if not, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION

(Shri Murlidhar Mohol)

(a) & (b): 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 such as landing, parking and UDF of all the major airports, inter-alia considering the following factors :

- (i) Return on Investment for aeronautical assets,
- (ii) Operating expenditure,
- (iii) Depreciation,
- (iv) Tax

The Regulator aims to balance optimally 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. As each airport has different capital expenditure profile, return on capital employed, operational expenditure, traffic inflows, under/ over- recovery in previous control period as well as revenue collection from cargo operators, Ground Handlers and Fuellers,

AERA maintains balanced approach for ensuring reasonable tariff keeping interest of all stakeholders in mind and translates these factors to different entitled revenue requirements apportioning them reasonably to Landing, Parking and User Development Fee (UDF) charges for different airports.

Since Government does not fund Airport Development, UDF enables the airport operator to fund his expenses for providing airport services. Thus, UDF ensures seamless operations for the passenger convenience by creating/upgrading the passenger amenities and services, particularly in the terminal building. The amenities provided by the Airport Operator are majorly used by the passengers and thus levying UDF is an appropriate way of ensuring contribution directly from the passenger/user utilising the services. The Passenger Service Fees/UDF is an acceptable principle and levied at most of the airports globally on the users availing the benefit of the services at the airport.

(c) & (d): As per the audited annual accounts of some of the major airlines of India and IATA's World Air Transport Statistics, the major components of the total airfare generally are aircraft fuel, rental and flight equipment, general and administrative expenses, repair and maintenance, crew salary, etc.

The Airport charges (a component of total airfare) viz., landing, parking and UDF are in the range of 8-10% of the total airfare, out of which portion of UDF is upto 4%.

(e) & (f): Does not arise in view of above replies.
