



## New Models for Airport Management

The Airports Economic Regulatory Authority of India Act, 2008, was enacted to provide an independent authority to protect the interests of airports, airlines and passengers, and to primarily regulate tariff for aeronautical services like housing or parking of an aircraft; ground safety, fuel and handling services etc.

- Over the years India has emerged as the third largest domestic aviation market in the world. The number of major airports increased from 12 to 27 between 2007 and 2017.
- The Airports Economic Regulatory Authority (AERA) has been under tremendous pressure with an increase in the number of private operators entering the airline/airport sector.
- Also, some of the major airports now function under public-private partnerships. Therefore, it was felt that if too many airports come under the purview of the Authority, it would be difficult to efficiently determine the tariffs and monitor the service standards of major airports.
- For engaging private partners in infrastructure projects, several business models like predetermined tariff or tariff-based bidding have come into place -wherein the project is awarded to whoever offers the lowest tariff.
- In this model, the market itself determines the charges and the regulator is not required to fix charges after the award of the project - but the 2008 Act does not cover such complexities. Therefore, the exponential growth in the sector has pushed the government to propose an Amendment Bill in 2018.
- The Airports Economic Regulatory Authority of India (Amendment) Bill, 2018, proposes to first amend the definition of "major airport" - as any airport with passengers in excess of 3.5 million from the existing 1.5 million.
- AERA will not determine the tariff structures in cases where such tariff amounts were a part of the bid document on the basis of which the airport operations were awarded.

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