STRATEGIC BEARING



AIRPORT ECONOMIC REGULATION · AERA FOURTH CONTROL PERIOD

Who Pays, How Much, and When

India's airport tariff model is being redesigned along three dimensions.

HYDERABAD RAJIV GANDHI INTERNATIONAL AIRPORT · Kempegowda INTERNATIONAL AIRPORT BENGALURU · DELHI INDIRA GANDHI INTERNATIONAL AIRPORT

01 WHO PAYS

Charging both ends

02 HOW MUCH

Business premium

03 WHEN

Pay when it opens

Who Pays: Charging Both Ends of the Journey

Bengaluru and Hyderabad will charge UDF on ***arriving passengers for the first time.***

The order apportions passenger-related cost 70:30 between embarking and disembarking passengers — departure rates fall as the arrival share is carved out.

1 WHO PAYS: ARRIVAL / DEPARTURE SPLIT

Charging both ends

Not entirely new. Delhi previously levied UDF on arriving passengers until 2017.

BENGALURU (BLR) — UDF, ₹ PER PASSENGER

	DOMESTIC		INTERNATIONAL	
	OLD	NEW	OLD	NEW
Departing	550	300	1,500	997
Arriving	—	125	—	426

Round-trip burden falls 23% domestic and 5% international. Wider base, lower rate.

HYDERABAD (HYD) — UDF, ₹ PER PASSENGER

	DOMESTIC		INTERNATIONAL	
	OLD	NEW	OLD	NEW
Departing	750	515	1,500	1,030
Arriving	—	220	—	440

First time: UDF on arriving domestic and international pax.

Arriving pax now contribute towards the airport services they use

Arrivals pay a stated 30% share

AERA *"decided to levy UDF on the embarking and disembarking passengers in the ratio of 70:30"* — the arrival charge is that 30% share of an apportioned total, not an addition to it.

70 : 30
Resource-consumption basis
70% departing · 30% arriving

₹125 / ₹220
Domestic arrival UDF
Bengaluru / Hyderabad

- The ratio holds across airports and segments — Delhi ₹129 / ₹56, Bengaluru ₹300 / ₹125, Hyderabad ₹515 / ₹220, Delhi international economy ₹650 / ₹275.
- The allocation follows resource consumption: departing passengers use a broader set of facilities

WHY IT MATTERS

Tariff design is becoming more sophisticated
Incidence, segmentation and timing are now levers in cost recovery

Source: AERA tariff orders for IGI Delhi (4th CP, FY2025–29), Kempegowda Bengaluru (4th CP, FY2027–31), Rajiv Gandhi Hyderabad (4th CP, FY2027–31)

UDF = User Development Fee · ARR = Aggregate Revenue Requirement

How Much: Delhi Prices the Front Cabin

A first for India — international UDF at Delhi is now ***differentiated by class of travel.***
Business-class passengers pay a premium on both departure and the new arrival charge.

2 HOW MUCH THEY PAY: **TARIFF BY CLASS OF TRAVEL**

Business premium

First in India. Delhi, international passengers only.

DELHI (DEL) — INTERNATIONAL UDF, ₹ PER PASSENGER

	ECONOMY	BUSINESS
Departing	650	810
Arriving (new)	275	345

Domestic ₹129 departure / ₹56 arrival - no class split.

IATA: "Unnecessarily complex and discriminatory"; argues it conflicts with ICAO non-discrimination principles and DIAL's OMDA.

A willingness-to-pay lens enters tariff design; cost-relatedness remains contested.

Business class pays a premium

Delhi splits the international UDF in two. Economy passengers pay ₹650 on departure; business passengers pay ₹810 — and both now pay on arrival as well.

+25%
Business premium on international departure

₹345
New business arrival UDF (economy ₹275)

- IATA calls it "unnecessarily complex and discriminatory" and contests it on ICAO non-discrimination grounds.
- AERA noted that differential pricing is justified and reasonable.
- However, it rejected peak-hour UDF differentiation and domestic class-based pricing.

WHY IT MATTERS

Cost recovery is being redistributed
Pax pay across both ends of the journey and, in some cases, by travel class

Source: AERA tariff orders for IGI Delhi (4th CP, FY2025–29), Kempegowda Bengaluru (4th CP, FY2027–31), Rajiv Gandhi Hyderabad (4th CP, FY2027–31)

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When: Recovery Starts Only When Assets Open

Identified high-value CapEx enters the tariff ***only once the asset is commissioned.***
Bengaluru and Hyderabad both defer incremental recovery to the back end of the fourth control period.

3 WHEN THEY PAY: **INCREMENTAL ARR APPROACH**

Pay when it opens

Incremental ARR for high-value CapEx enters the tariff only when projects are commissioned.

BENGALURU (BLR) — FOURTH CONTROL PERIOD

2026-27 · 2027-28 · 2028-29 · **2029-30+**

- Eastern Cross Taxiway
- Terminal 2 Phase 2
- T2 Phase 2 apron

Recovery begins

HYDERABAD (HYD) — FOURTH CONTROL PERIOD

2026-27 · 2027-28 · 2028-29 · **2029+**

INCREMENTAL UDF IMPACT, ₹ PER PASSENGER

	DOM DEP	DOM ARR	INT DEP	INT ARR
Northern Runway	+122	+52	+175	+75
Northern Precinct	+164	+70	+160	+70
Total incremental	**+286**	**+122**	**+335**	**+145**

USER PAY PRINCIPLE
Recovery commences only after assets are completed & commissioned

Passengers pay when the asset opens

Rather than levelising cost across the control period, incremental ARR is switched on at commissioning - so charges rise only when capacity is actually delivered.

2029–30
Bengaluru recovery begins year four of FY2027–31

+₹286
Hyderabad incremental UDF, domestic departure

+₹335
Hyderabad incremental UDF, international departure

- Bengaluru ties recovery to the Eastern Cross Taxiway and Terminal 2 Phase 2 entering service.
- A stronger user-pay principle: recovery follows delivery.

WHY IT MATTERS

Recovery follows delivery
Defers incremental recovery until assets are operational, setting an important precedent

Source: AERA tariff orders for IGI Delhi (4th CP, FY2025–29), Kempegowda Bengaluru (4th CP, FY2027–31), Rajiv Gandhi Hyderabad (4th CP, FY2027–31)

UDF = User Development Fee · ARR = Aggregate Revenue Requirement

What the Three Shifts Add Up To

Incidence, segmentation and timing are now ***explicit tariff levers.***
Each is set out in the tariff orders — with the apportionment ratio and the reasoning published.

1 WHO PAYS: **ARRIVAL / DEPARTURE SPLIT**

2 HOW MUCH THEY PAY: **TARIFF BY CLASS OF TRAVEL**

3 WHEN THEY PAY: **INCREMENTAL ARR APPROACH**

Incidence is broadening

Both ends of the journey pay, on a stated resource-consumption split applied at every airport and segment.

Price now varies by cabin

Delhi prices international departure by cabin — willingness to pay rather than cost of service. IATA contests it.

Recovery is delivery-linked

Hyderabad's incremental UDF on domestic / international departure is switched on only at commissioning, not levelised across the period.

WHY IT MATTERS

For airports
A larger, more granular recovery base — both ends of the journey, and by cabin

For airlines
Incidence broadens to arrivals and differentiates by cabin

For passengers
The tariff burden is redistributed — by journey stage, cabin and when capacity is delivered

Source: AERA tariff orders for IGI Delhi (4th CP, FY2025–29), Kempegowda Bengaluru (4th CP, FY2027–31), Rajiv Gandhi Hyderabad (4th CP, FY2027–31)

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