



The Big Picture - AERA (Amendment) Bill, 2019

The Rajya Sabha has passed the **Airports Economic Regulatory Authority of India (Amendment) Bill, 2019** that seeks to raise the threshold for an airport to qualify as 'major airport' and hence reducing the tariff-fixing power of airport regulator to a fewer airports.

Currently, **an airport with annual passenger traffic of 15 lakh or more is defined as a major airport** and **tariff** at such airports are **determined by** the [Airports Economic Regulatory Authority of India \(AERA\)](#).

The **Bill raises the threshold traffic to 35 lakh**, so, many airports would come out of the purview of the regulator. Once the Bill becomes an Act, many airports for which various fees such as landing and parking charges which are currently determined by the AERA, will go. Tariff at these airports would be determined by the Ministry of Civil Aviation. The amendment also empowers the Aviation Ministry to bid out airport projects on the basis of a predetermined tariff.

Establishment of AERA

- **Initially, the Airports Authority of India (AAI) was running and managing the airports.** After sometimes, a change was made in the civil aviation policy as some **private players were also given airports to run**. The reason behind this was to provide consumers with great services.
- Typically, airports run the risk of becoming a monopoly because cities usually have one civilian airport which controls all aeronautical services in that area. To ensure that private airport operators do not misuse their monopoly, the need for an independent tariff regulator in the airport sector was felt.
- Consequently, the **Airports Economic Regulatory Authority of India Act, 2008** (AERA Act) was passed which set up the AERA.
- AERA was set up, keeping in mind, that the country needs to have an independent regulator who has transparent rules and can take care of interests of the service providers as well as that of the consumers.
- Airports having traffic above 15 lakh passengers are called major airports and come within the purview of the AERA whereas airports below the limit of 15 lakh passengers come under the AAI.
- **The AERA regulates tariffs and other charges** (development fee and passenger service fee) **for aeronautical services** (air traffic management, landing and parking of aircraft, ground handling services) **at major airports**.

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- The Bill **changes the ceiling of what airports will come within the purview of the airport regulator**. The Bill raises the ceiling to 35 lakh passengers.
- The Bill adds that the **AERA will not determine tariff, tariff structures, or development fees, in certain cases**. These cases include those where such tariff amounts were a part of the bid document on the basis of which the airport operations were awarded. AERA will be consulted (by the concessioning authority, the Ministry of Civil Aviation) before incorporating such tariffs in the bid document, and such tariffs must be notified.

Points in Favour of the Amendment

- When the limit was set to the 15 lakh passengers, it was roughly 1.1% of the then existing passenger traffic. The civil aviation sector has now grown virtually to 350 lakh million people and by increasing the limit to 35 lakh, **the ratio has been kept same.**
- The objective of the amendment is to **give a boost to the airline industry** which at present, because of the **exorbitant aeronautic charges**, is suffering losses or making less profits.
- The large number of airports which are below 35 lakh capacity will be regulated by the Ministry of Civil Aviation. It is expected that there will be **some kind of concessions** so that the aviation industry is not burdened with the exorbitant aviational charges.
- The government wants to have a hold on the smaller airports because it is interested in promoting the aviation industry. It wants to make aviation within the affordable reach of the common people. **Regional connectivity is the intent of the government.**
- **The aviation industry is growing at a rate of 10%.** The AERA does not have that kind of resources to manage that large amount of passengers.

Points Against the Amendment

- The amendment actually **reduces the power and scope of the AERA.**
- Instead of the 31 airports which are today within the jurisdiction of the AERA for determining the tariff charges for the usage of airport as well as the ground handling and other services, there will be **only 16 airports after the amendment.**
- Since, the airport traffic is increasing at the rate of 10-11%, **the government may have to define major airports time and again.** The solution is that the AERA needs to be strengthened by recruiting more people and hiring more experts.
- The amendment would also lead to **different kinds of regulatory or working environments** for airports that are within the jurisdiction of the AAI and for those that are under the AERA.
- The government has hundreds of matters to attend to, including policy related to different aspects. **Will it be possible for the government to provide concessions to every airport for the sake of benefiting customers?**

Way Forward

- In coming times, more and more airports will get corporatized, even small airports will be run by a private operator. **The government just cannot let a private player exploit different consumers i.e.** common passengers, airlines, cargo service providers or ground handling service providers etc. Aeronautical tariffs/charges needs to remain within manageable limits.
- Apart from the cost, there is also the issue **of quality of services that needs to be regulated.**
- In a regulatory environment, somebody who is an operator should not be a regulator. Currently, the AAI not only runs airports but is also responsible for those airports. **The ultimate goal of the government should be to bring every airport in the country except the defence enclaves under the AERA.**
- The AERA should be made a very robust strong regulator. Also, it should be given an option of inspecting airports and analyzing tariff charges on a regular basis and publish reports on the same. It can also, like the Telecom Regulatory Authority of India, encourage people to contact it and provide feedback with respect to various services.
- There is a need to **encourage more and more international airlines to make Indian airports as their important hub** and route the traffic from the same which will create lots of jobs and thus will benefit the Indian economy.
- The objective of a regulator should be to work in the interest of efficiency, safety and improving the performance of an airport and also to ensure that the passengers are not overburdened whereas the objective of the Government of India should be to improve the aviation industry as a whole.
- The government needs to have a **discussion** on the **challenges** that the aviation sector is facing.
- The Prime Minister has set a target of 5 trillion dollar economy by the year 2024 for which rapid growth is necessary in each and every segment of the infrastructure sector.

Independent regulation with customers as the focal point is important for ensuring the growth of the

aviation industry.

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