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आदेश संख्या 16/2023-24
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भारतीय विमानपत्त आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

श्रीनगर अंतर्राष्ट्रीय हवाईअड्डा (एसएक्सआर) के लिए तृतीय नियंत्रण अवधि (01.04.2021 से 31.03.2026) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFF FOR
SRINAGAR INTERNATIONAL AIRPORT (SXR)
FOR THE THIRD CONTROL PERIOD

(01.04.2021 - 31.03.2026)

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ऐरा भवन/AERA Building
प्रशासनिक कॉम्प्लेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली/ New Delhi – 110003



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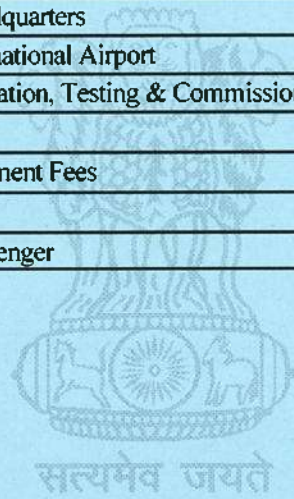


GLOSSARY

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
AVDGS	Advanced Visual Docking Guidance System
AERA/ The Authority	Airports Economic Regulatory Authority of India
ANS	Air Navigation Services
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AOCC	Airports Operations Control Centre
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
BIAL	Bangalore International Airport Limited
BSF	Border Security Force
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CCEA	Cabinet Committee on Economic Affairs
CFT	Crash Fire Tender
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CRPF	Central Reserve Police Force
CSR	Corporate Social Responsibility
CUPPS	Common Use Passenger Processing System
CUSS	Common-Use Self-Service
CUTE	Common Use Terminal Equipment
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GST	Goods and Services Tax
IAF	Indian Air Force
IDC	Interest During Construction
IOCL	Indian Oil Corporation Limited
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
MIAL	Mumbai International Airport Limited
NAR	Non-aeronautical revenue



Abbreviation	Full Form
NPV	Net Present Value
PCN	Pavement Classification Number
PIB	Public Investment Board
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RCC	Reinforced Cement Concrete
RHQ	Regional Headquarters
SIA	Srinagar International Airport
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metre
UDF	User Development Fees
YTD	Year to Date
YPP	Yield per Passenger



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1 INTRODUCTION

1.1 Background

1.1.1 Sheikh Ul-Alam International Airport ('Srinagar International Airport' or 'Srinagar Airport'), owned by Indian Air Force and is operated by Airports Authority of India, as a Civil Enclave. It is currently the 15th busiest Airport¹ in India by passengers handled and 17th busiest Airport¹ by air traffic movements. The Airport has received international airport status in March 2005. It is situated 7.5 kilometers from the city of Srinagar.

1.1.2 The total land area of Srinagar Civil Enclave area is 67.10 acres. Out of this, the total area of the integrated Terminal Building is 23,217 Sq.m, which handles both domestic and international operations. The Airport has the capacity to handle 475 passengers (domestic and international) at Arrival and 475 passengers (domestic and international) at Departure during peak hours. The length of the Runway is 3,568 metres. The Airport has two taxi tracks and 9 apron bays.

1.2 Tariff determination history of Srinagar International Airport (SIA)

1.2.1 Srinagar International Airport was declared as a "Major Airport" as per section 2(i) AERA Act, 2008, based on the actual passenger traffic throughput (i.e., in excess of one and half million) in the FY 2015-16 vide Order No. 17/ 2015-16 dated June 5, 2015.

The Authority determined tariff for the Second Control Period (starting from FY 2016-17 to FY 2020-21) vide Order Number 14/ 2017-18 dated October 30, 2017, as tariff for the First Control Period could not be determined, due to less than a year being only available for completion of First Control Period (i.e. March 31, 2016), after its declaration as a Major Airport.

1.2.2 As per the AERA Act, 2008 read with Amendment Act 2019, the passenger throughput limit was amended from 'one and a half million' to 'three and a half million' passengers, whereby Srinagar Airport had become a non-Major Airport, as its passenger throughput or designated capacity was lower than the threshold limit of 3.5 MPPA defined under the AERA Act.

1.2.3 Further, MoCA vide Letter No. AV 20036/9/2017-AD dated January 14, 2020 clarified that tariff determined by AERA would continue to be applicable for the Second Control Period and that the tariff for the next Control Period would be determined based on the passenger throughput criteria as defined in the AERA (Amendment) Act 2019.

1.2.4 Subsequently, MoCA vide Order No. S.O. 4606(E) dated November 05, 2021 notified Srinagar International Airport as a "Major Airport".

Therefore, as per the sequence of the above events, Srinagar International Airport had been a Non-Major Airport throughout FY 2020-21, vide AERA Amendment Act 2019, as its passenger throughput was only 1.8 MPPA in FY 2020-21, which was lesser than the threshold limit of 3.5 MPPA defined under the AERA Amendment Act, 2019. The Authority has taken cognizance of this fact, in its examination of the regulatory building blocks for true up of the Second Control Period, while determining tariff for the Third Control Period and accordingly, has excluded the Under/ Over recovery of FY 2020-21, as Srinagar International Airport was a Non-Major airport during FY 2020-21.

The same has been explained in the respective Chapters. Further, the Authority has kept in mind the interest of Airport Users, as it may not be fair to make them bear the extra tariff burden, arising on account of the NPV of the Under-recovery of FY 2020-21, due to the Government of India's decision

¹ As per data on top 50 busiest airports for FY 2020-21, published by



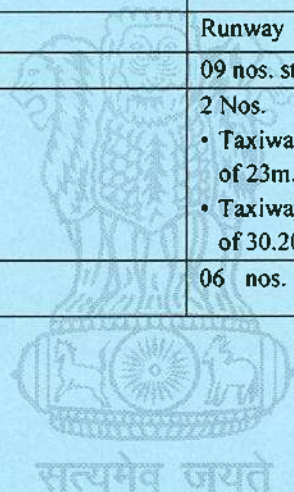
on 'Major' / 'Non- Major' status of the Airport.

1.3 Profile of Srinagar International Airport

1.3.1 Technical and Terminal Building details of Srinagar International Airport submitted by the Airport Operator are provided in the table below:

Table 1: Technical and Terminal Building details of Srinagar Airport submitted by AAI

Particulars	Details
Total airport land area	67.10 acres
Total area of Terminal Building	23,217 sqm
Car Parking area	4,700 sqm
Designated Capacity	2.5 MPPA
Runway orientation and length	Runway 13/31, dimension 3,568m x 45m
Apron	09 nos. stands
Taxiway	2 Nos. • Taxiway (D) – with length of 215m and width of 23m. • Taxiway (D1) – with length of 158m and width of 30.20m
Boarding/ Aero Bridges	06 nos.



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2 TARIFF DETERMINATION OF SRINAGAR INTERNATIONAL AIRPORT

2.1 Introduction

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated 12th May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airports Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'the Act') which are as below:

a) To determine the tariff for Aeronautical services taking into consideration –

- i. the capital expenditure incurred and timely investment in the improvement of airport facilities.
- ii. the service provided, its quality and other relevant factors
- iii. the cost for improving efficiency.
- iv. economic and viable operation of Major Airports
- v. revenue received from services other than the Aeronautical services
- vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and
- vii. any other factor which may be relevant for the purpose of this Act:

Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii).

b) To determine the amount of the development fees in respect of Major Airports.

c) To determine the amount of the passengers service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934.

d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorized by it in this behalf.

e) To call for any such information as may be necessary to determine the tariff for Aeronautical services; and

f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act.

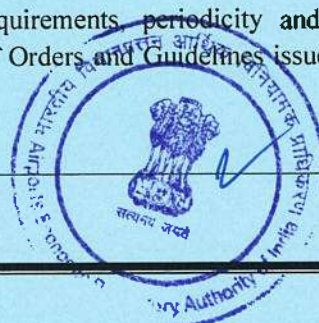
2.1.2 The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3 As per the AERA Act, 2008 the following are the Aeronautical services:

- i. Aeronautical services provided by the airport operators.
- ii. Cargo, Ground Handling and Fuel Supply Services; and
- iii. Air Navigation Services.

Tariff determination for Air Navigation Services is carried out by the Ministry of Civil Aviation (MoCA) across all airports to maintain uniformity.

2.1.4 Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf are as



under:

- i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and
- ii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2016-17 dated 23.01.2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.
- iv. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 in the matter of determination of useful life of Airport assets.
- v. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

2.1.5 AAI had submitted Multi Year Tariff Proposal (MYTP) for the Second Control Period from April 1, 2016, till March 31, 2021. AERA vide its Order No. 14/2017-18 dated October 30, 2017, had determined tariffs for Aeronautical services for Srinagar International Airport for the Second Control Period.

2.2 Issuance of Consultation paper and receipt of Stakeholders' comments

2.2.1 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. AAI had submitted the MYTP for the Third Control Period commencing from FY 2021-22 to FY 2025-26 for Srinagar International Airport on June 01, 2022 i.e. after a gap of six months from the date MoCA notified Srinagar Airport as a Major Airport. The MYTP is available on the AERA's website.

2.2.2 The Authority had appointed an independent consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by AAI for the Third Control period. Accordingly, M/s R. Subramanian and Company LLP has assisted the Authority in examining the true up submission of AAI by comparing the each regulatory building block with the Tariff Order for the Second Control period, examined the MYTP of AAI for the current Control Period, by verifying the data from various supporting documents submitted by AAI such as audited financials, Fixed Asset Register (FAR), documentary evidence of the process of approval of Capital expenses, Operation and Maintenance expenses, examining the building blocks in tariff determination and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.

2.2.3 AAI has informed that accounts of AAI are audited by the Comptroller and Auditor General of India ('CAG') as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for the AAI as a whole and only trial balance is available for Srinagar Airport. The Authority had examined the audited trial balance (FY 2017 to FY 2022) and unaudited Trial Balance for FY 2023 submitted by AAI for determination of tariff.

2.2.4 The Authority through its Independent Consultant has examined the MYTP submitted by Airport Operator, verified the data and the projections for the Third Control Period including CAPEX and obtained clarifications on the information provided by AAI from time to time, for finalizing this Tariff Order.

2.2.5 After examination of MYTP and other details submitted by AAI, the Authority issued Consultation Paper

TARIFF DETERMINATION OF SRINAGAR INTERNATIONAL AIRPORT

No. 04/2023-24 dated July 5, 2023. Following the release of the Consultation Paper, the Authority had convened a meeting of stakeholders on July 19, 2023. The minutes of the meeting are available on AERA's website.

2.2.6 The Authority also invited formal comments from all stakeholders on the issues and proposals presented in its Consultation Paper No. 04/2023-24.

2.2.7 The following stakeholders have provided their comments on the Consultation Paper No. 04/2023-24:

- i. Airports Authority of India (AAI)
- ii. Federation of Indian Airlines (FIA)
- iii. International Air Transport Association (IATA)
- iv. Business Aircraft Operators Association (BAOA)

Table 2: Regulatory building blocks with names of Stakeholders who commented on each building block

Component impacting tariff determination of the Second Control Period	Name of the Stakeholder who has provided comments
Process of Tariff Determination	FIA
True up of the Second Control Period	FIA, IATA, AAI
Traffic for the Third Control Period	FIA, AAI
Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period	FIA, IATA, BAOA, AAI
Fair Rate of Return for the Third Control Period	FIA
Inflation for the Third Control Period	No comments
Non-aeronautical revenue for the Third Control Period	FIA, AAI
Operation and Maintenance Expenses for the Third Control Period	FIA, IATA, AAI
Taxation for the Third Control Period	AAI
Quality of service for the Third Control Period	FIA, IATA
ARR for the Third Control Period	FIA, AAI
Aeronautical Revenue for the Third Control Period	FIA, IATA, AAI

2.2.8 No inputs were received from MoCA as part of the consultation process.

2.2.9 The counter comments from AAI on the comments from other Stakeholders were received on August 11, 2023. Thus, the Stakeholders' Consultation process concluded on the receipt of counter comments on August 11, 2023. The stakeholders' comments and counter comments are available on AERA's website.

2.2.10 The Authority has examined the various comments and observations of stakeholders along with submissions made by AAI to finalize its decisions pertaining to various regulatory building blocks, based on which this Tariff Order is being issued.

2.3 Construct of the Tariff Order

2.3.1 This Tariff Order has been developed/ constructed in the following sequence of Chapters:

- i. The background of the Authority's tariff determination process is explained in this Chapter (Chapter



- 2) and in Chapter 3 the framework for determination of tariff is discussed.
- ii. Chapter 4 lists out the submissions of AAI for true up of the Second Control Period which is from FY 2016-17 to FY 2020-21. This is followed by the Authority's examination of the same as set out in Consultation Paper No. 04/2023-24 dated July 5, 2023. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out .
 - iii. Chapter 5 discusses AAI's submissions and the Authority's examination of the same along with its proposals regarding Traffic Projections for the Third Control Period as set out in Consultation Paper No. 04/2023-24 dated July 5, 2023. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
 - iv. Chapter 6 discusses AAI's submissions and the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical capital expenditure, useful life of assets and RAB for the Third Control Period as set out in Consultation Paper No. 04/2023-24 dated July 5, 2023. Thereafter, the comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
 - v. Chapter 7-12 discusses AAI's submissions and the Authority's examination of AAI's submissions along with its proposals with respect to various building blocks pertaining to the Third Control Period viz., Fair rate of Return, Inflation, Operation and Maintenance Expenses, Non-Aeronautical Revenue, Taxation and Quality of Service along with Authority's analysis regarding the same as set out in Consultation Paper No. 04/2023-24 dated July 5, 2023. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
 - vi. Chapter 13 presents the Aggregate Revenue Requirement as determined by the Authority based on the various proposals of the Authority and adjustments considered by the Authority for the Third Control Period at the Consultation stage. This is followed by comments of AAI and other stakeholders. Thereafter, the Authority's analysis and final decisions are set out.
 - vii. Chapter 14 presents the Aeronautical Revenue decided by the Authority for Srinagar International Airport for the Third Control Period.
 - viii. Chapter 15 summarises Authority's decisions on all the matters relating to the tariff computations and Chapter 16 is the Final Tariff Order issued by the Authority for the Third Control Period of Srinagar International Airport.
 - ix. Chapter 17 contains Annexures:
 - Annexure I: Tariff Rate Card pertaining to Srinagar International Airport, for the Third Control Period as approved by the Authority, effective from October 01, 2023 to March 31, 2026.

3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR SRINAGAR INTERNATIONAL AIRPORT

3.1 Methodology

3.1.1 The methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 and the Airport Guidelines issued by AERA.

3.1.2 As per the guidelines, for the Second Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical revenue is to be used for cross-subsidising the Aeronautical charges. The Authority has considered the same methodology in the true up of the Second Control Period and for tariff determination in the Third Control Period.

3.1.3 The ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

$$ARR = \sum_{t=1}^5 ARR_t$$

$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - s \times NAR_t$$

Where,

- t is the tariff year in the control period, ranging from 1 to 5
- ARR_t is the Aggregate Revenue Requirement for tariff year 't'
- FRoR is the Fair Rate of Return for the Control Period
- RAB_t is the Aeronautical Regulatory Asset Base for tariff year 't'
- D_t is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'
- O_t is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'
- T_t is the Aeronautical taxation expense for the tariff year 't'
- s is the cross-subsidy factor for revenue from services other than Aeronautical services. Under the Hybrid Till methodology followed by the Authority, $s = 30\%$.
- NAR_t is the Non-aeronautical revenue in tariff year 't'.

3.1.4 Based on ARR, Yield per passenger (Y) is calculated as per the formula given below:

$$Yield\ per\ passenger(Y) = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 VE_t}$$

- Where, $PV(ARR_t)$ is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.
- VE_t is the passenger traffic in year 't'.

3.1.5 All the figures presented in this Tariff Order, have been rounded off up to two decimals.

3.2 Control Period

3.2.1 In terms of Direction No. 5 issued on 28 February 2011, Control Period means "a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant

to such order shall subsist". The Second Control Period for Srinagar International Airport commenced from April 1, 2016 and the Third Control Period has commenced from April 1, 2021.

3.3 Revenues from Air Navigation Services (ANS) and Cargo

- 3.3.1 AAI provides Air Navigation Services (ANS) in addition to parking and other Aeronautical services at Srinagar Airport. AAI has submitted that the tariff proposal does not consider assets, expenses and revenues on account of ANS. This Tariff Order discusses the determination of tariffs for Aeronautical services at the airport excluding ANS, as tariff for ANS is presently regulated by the Ministry of Civil Aviation for all the airports. Therefore, all the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.
- 3.3.2 AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement with AAICLAS.
- 3.3.3 This Tariff Order discusses the determination of tariff for Aeronautical services at Srinagar International Airport excluding Cargo Operations. The tariff related to Cargo Operations of Srinagar International Airport will be determined separately since its operations are carried out by AAICLAS.

3.4 Stakeholders' comments on the Framework for determination of tariff for Srinagar international Airport

- 3.4.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to Framework for determination of tariff for Srinagar International Airport. The comments made by the other stakeholders are presented below:

Other Stakeholders' comments on the Framework for determination of tariff for Srinagar international Airport

- 3.4.2 FIA has commented the following:

"We submit that in Para 3.3 of the Consultation Paper, it is stated that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 ("AERA Act"), under sub-section (a), "aeronautical services means any services provided –

(i) For navigation, surveillance and supportive communication thereto for air traffic management..."

It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services, should form part of aeronautical revenues and accordingly AERA should take into account of the corresponding revenue and revise the tariff card."

AAI's responses to other stakeholders' comments on Background, Framework for determination of tariff for Srinagar International Airport

- 3.4.3 AAI has responded to FIA's comments as under:

"MOCA determines tariff for ANS services being a separate segment of AAI's services. Accordingly, AAI does not consider assets, expenses and revenue pertaining to ANS in determination of Aeronautical Tariff for the Airport Operations."

3.5 Authority's analysis on Stakeholders' comments regarding the Framework for determination of tariff for Srinagar International Airport

3.5.1 The Authority has noted the comments of FIA and the response of AAI thereon and is of the view that the tariff for ANS is presently regulated by the Ministry of Civil Aviation for all the airports. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.



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AERA



4 TRUE UP OF THE SECOND CONTROL PERIOD

4.1 AAI's submission on True up of the Second Control Period for Srinagar International Airport

4.1.1 AAI had submitted the following shortfall of ₹ 523.42 Crores for Srinagar International Airport for the Second Control Period, as part of its MYTP submission for the Third Control Period:

Table 3: True up for Second Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Total Revenue from Regulated Services (a)	9.87	21.37	51.68	58.24	38.64	179.80
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	2.60	2.61	4.58	8.50	2.32	20.61
Operating Expenditure (c)	27.83	32.03	46.64	56.14	57.25	219.90
Depreciation (d)	8.59	8.11	10.24	5.98	6.64	39.56
Total Expenditure (c) + (d) = (e)	36.43	40.14	56.88	62.12	63.89	259.46
Regulatory operating Profit (a) + (b) - (e) = (f)	(23.95)	(16.15)	(0.62)	4.62	(22.94)	(59.04)
Average RAB = (g)	89.49	83.28	76.70	77.27	83.94	410.68
Return on Average RAB (g) * 14% (h)	12.53	11.66	10.74	10.82	11.75	57.50
Return on Land (i)	0.00	0.00	0.00	0.00	0.00	0.00
Financing Allowance for the First Control Period (j)	0.17	-	-	-	-	0.17
Compounding amt. of return on Dep. And Average RAB for First Control Period (k)	0.27	-	-	-	-	0.27
Tax @ 34.944% (FY18-19) & 25.17% w.e.f. FY 19-20 on (f) = (l)	0.00	0.00	0.00	0.00	0.00	0.00
(Excess)/Shortfall of FCP (m)	177.10	-	-	-	-	177.10
ARR [(e)+(h)+(i)+(j)+(k)+(l)+(m)]-(b) = (n)	223.76	49.22	63.08	64.47	73.36	473.89
(Excess)/Shortfall (n-a)	213.89	27.85	11.39	6.23	34.72	294.08
Shortfall including Return @14%	411.82	47.03	16.88	8.10	39.58	523.42

4.2 Authority's examination of True up of the Second Control Period

4.2.1 The Authority had taken cognizance of the decisions taken at the time of determination of tariff for the Second Control Period and had then proceeded to examine the same as part of the tariff determination for the current Control Period.

4.2.2 The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 14/ 2017-18 dated October 30, 2017 have been reproduced below:

- **Decision No:2b – Traffic Forecast:** The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in Second Control Period while determining tariff for the Third Control Period.
- **Decision No. 5b – CAPEX:** The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines
- **Decision No. 5c – CAPEX:** The Authority decides to true up the opening RAB of the next control

period depending on the CAPEX incurred and date of capitalisation of underlying assets in a given year.

- **Decision No. 6b – Depreciation:** The Authority decides to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.
- **Decision No. 7b - RAB:** The Authority decides to true up the RAB of Second Control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority at the time of determination of tariff for the Third Control Period.
- **Decision No. 8a – FRoR:** The Authority decides to consider the FRoR at 14% for civil enclave at Srinagar for the 1st and 2nd control period.
- **Decision No. 8b - FRoR:** The Authority decides to undertake a study to determinate FRoR for major AAI airports given the low debt structure of AAI as whole.
- **Decision No. 9c – Non-aeronautical revenues:** The Authority decides that Non-aeronautical revenues will be trued up if its higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.
- **Decision No. 10b – O&M expenses:** The Authority expects AAI to reduce O&M expenditure over a period of time.
- **Decision No. 10c - O&M expenses:** The Authority decides to true up the O&M expenses for 2016-17 to 2020-21 of the 2nd Control Period based on the actuals at the time of determination of tariffs for the Third Control Period.
- **Decision No. 10d – O&M expenses:** The Authority decides the following factors for corrections while determining tariffs for the next control period:
 - i. Mandated cost incurred due to directions issued by Regulatory Agencies like DGCA
 - ii. Cost of actual operating expenses including electricity
 - iii. All statutory levies in the nature of fees, levies, taxes and such other charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/ service provided by AAI will be reviewed by the Authority for the purpose of corrections.
- **Decision No. 11b – Taxation:** The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the Second Control period during determination of tariffs for the Third Control Period.

4.3 True up of Traffic

- 4.3.1 AAI had submitted Passenger Traffic and ATM for Srinagar International Airport for the Second Control Period which is as follows:



Table 4: AAI's submission for True up of traffic for the Second Control Period for Srinagar International Airport

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Passenger (In millions)						
Domestic	2.09	2.42	2.72	2.80	1.80	11.84
International	0.01	0.01	0.02	0.02	0.02	0.08
Total	2.10	2.44	2.74	2.82	1.82	11.92
ATM (In No's)						
Domestic	15,467	17,834	18,620	19,367	13,051	84,339
International	76	84	126	288	21	595
Total	15,543	17,918	18,746	19,655	13,072	84,934

Authority's examination and proposal regarding true up of traffic of the Second Control Period at Consultation Stage:

- 4.3.2 The traffic approved by the Authority in the Tariff Order No. 14/ 2017-18 for the Second Control Period is shown in Table 5.

Table 5: Passenger traffic and ATM approved by the Authority in the Tariff Order for the Second Control Period

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Passenger (In millions)						
Domestic	2.09	2.30	2.53	2.78	3.06	12.75
International	0.01	0.00	0.00	0.00	0.00	0.01
Total	2.10	2.30	2.53	2.78	3.06	12.76
ATM (In No's)						
Domestic	15,467	17,014	18,715	20,587	22,645	94,428
International	76	0	0	0	0	76
Total	15,543	17,014	18,715	20,587	22,645	94,504

- 4.3.3 The Authority noted from the above table that the actual Passenger traffic and ATM for the first four tariff years of the Second Control Period (as per Table 4) was more or less in line with that approved by the Authority in the Tariff Order for the Second Control Period, although there were minor deviations.
- 4.3.4 Further, the Authority noted that there was substantial variance in the passenger traffic and ATM for the FY 2020-21 between the actual traffic and the projections approved in the Tariff Order for the Second Control Period, which was attributable to the adverse impact of COVID-19 pandemic. After the outbreak of COVID-19 pandemic in December 2019, many chartered flights were cancelled from January 2020, due to which the domestic and international passenger traffic have been showing a decreasing trend. The actual traffic for the 5th tariff year viz., FY 2020-21 was significantly lower than the projections submitted in Tariff order for the Second Control Period, due to the adverse impact of



the ongoing COVID-19 pandemic.

4.3.5 The Authority verified the actual Passenger traffic and ATM (as per Table 4) for the Second Control Period based on the details available on AAI's website and noted no variances.

4.3.6 Based on the above analysis, the Authority proposed to consider the actual traffic submitted by AAI for the Second Control Period, as shown in Table 4, in line with its decision no. 2b of the Tariff Order No. 14/ 2017-18 dated October 30, 2017, which states "The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in Second Control Period while determining tariff for the Third Control Period."

Stakeholders' comments on true up of traffic for the Second Control Period

4.3.7 No comments were received from the Stakeholders on true up of traffic for the Second Control Period.

Authority's analysis on stakeholders' comments on true up of traffic for the Second Control Period

4.3.8 The Authority notes that no comments were received from the Stakeholders regarding true up of traffic for the Second Control Period. Hence, the Authority has decided to consider the traffic based on actuals for true up of the Second Control Period, consistent with the proposal made in the Consultation Paper No. 04/ 2023-24. The traffic considered by the Authority for true up of the Second Control Period has been shown in Table 4.

4.4 True up of Capital Expenditure (CAPEX), Depreciation and RAB

4.4.1 The actual CAPEX submitted by AAI for true up of the Second Control Period for Srinagar Airport is as follows:

Table 6: Capital additions during the Second Control Period submitted by AAI for Srinagar International Airport

(₹ Crores)

S. No	Asset category	CAPEX approved by AERA (1)	Actual CAPEX incurred (2)	Variance (2) – (1)	Financing Allowance (included in Actual CAPEX)
A. CAPEX incurred towards projects approved by AERA for Second Control Period					
1	Building- Terminal	131.70	2.00	(129.70)	-
2	Building- Residential	0.80	0.78	(0.02)	-
3	Tools & Equipment	0.10	3.12	3.02	-
4	Electrical Installations	125.50	7.56	(117.94)	-
	Total Approved CAPEX (A)	258.10	13.46	(244.64)	-
B. Unplanned/ Unapproved CAPEX incurred by Srinagar International Airport during Second Control Period					
5	Runways / taxiway / Aprons	-	0.28	0.28	-
6	Other Buildings- Unclassified	-	1.37	1.37	0.05
7	Computer & Peripherals: End User	-	0.21	0.21	-
8	Intangible Assets- Software	-	0.02	0.02	-
9	Plant & Machinery	-	19.34	19.34	0.56



TRUE UP OF THE SECOND CONTROL PERIOD

S. No	Asset category	CAPEX approved by AERA (1)	Actual CAPEX incurred (2)	Variance (2) – (1)	Financing Allowance (included in Actual CAPEX)
10	Other Vehicles	-	0.94	0.94	-
11	Other Office Equipment	-	2.14	2.14	-
12	Furniture & Fixtures-Other than Trolley	-	0.69	0.69	-
13	Furniture & Fixtures-Trolley	-	0.23	0.23	-
14	X Ray Baggage System	-	0.80	0.80	-
	Total Unapproved CAPEX (B)	-	26.02	26.02	0.61
	Total CAPEX incurred (A+B)	258.10	39.48	(218.62)	0.61

4.4.2 The CAPEX approved by the Authority in the Tariff Order for the Second Control Period was ₹ 258.10 Crores. Year- wise details of the CAPEX approved by the Authority have been provided as follows:

Table 7: Capital expenditure approved in the Tariff Order for the Second Control Period

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Building- Terminal	0.5	6.9	0.0	0.0	124.3	131.7
2	Building- Residential	0.8	0.0	0.0	0.0	0.0	0.8
3	Tools & Equipment	0.1	0.0	0.0	0.0	0.0	0.1
4	Electrical Installations	0.9	3.0	0.0	0.0	121.6	125.5
	Total	2.3	9.9	0.0	0.0	245.9	258.1

4.4.3 The Authority noted a variance of ₹ 218.62 Crores (84%) between CAPEX approved by the Authority and that incurred by AAI for the Second Control Period, which has been detailed asset-wise in Table 6.

4.4.4 AAI had submitted the following depreciation for the Second Control Period for Srinagar International Airport.

Table 8: Depreciation for the Second Control Period submitted by AAI for Srinagar International Airport

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Land Freehold	0.00	0.00	0.00	0.00	0.00	0.00
Runways	0.00	0.00	0.00	0.00	0.00	0.00
Runways / taxiway / Aprons	1.04	1.04	0.80	0.80	0.80	4.49
Road, Bridges & Culverts	0.02	0.02	0.24	0.00	0.00	0.29
Building- Terminal	2.36	2.37	1.95	1.95	1.98	10.61
Building - Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Building - Residential	0.13	0.14	0.14	0.14	0.14	0.70
Security Fencing - Temporary	0.09	0.09	0.00	0.00	0.00	0.18
Boundary Wall -Operational	0.08	0.00	0.00	0.00	0.00	0.08
Other Buildings-Unclassified	0.00	0.02	0.00	0.04	0.04	0.14



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Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Computer & Peripherals: END User	0.15	0.15	0.49	0.02	0.03	0.83
Computer & Peripherals: Server & Net	0.00	0.00	0.00	0.00	0.00	0.00
Intangible Assets- Software	0.00	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	0.57	0.62	0.67	1.01	1.54	4.41
Tools & Equipment	0.12	0.01	0.00	0.10	0.20	0.43
Office Furniture	0.11	0.11	0.29	0.00	0.00	0.52
Other Vehicles	0.00	0.02	0.05	0.06	0.09	0.23
Vehicle- Cars & Jeeps	0.02	0.02	0.02	0.00	0.00	0.07
Electrical Installations	3.01	2.87	4.88	1.05	0.79	12.59
Other Office Equipment	0.08	0.08	0.06	0.21	0.41	0.85
Furniture & Fixtures-Other than Trolley	0.01	0.01	0.05	0.10	0.10	0.27
Furniture & Fixtures-Trolley	0.01	0.01	0.11	0.08	0.08	0.28
X Ray Baggage System	0.78	0.52	0.43	0.43	0.44	2.60
CFT/Fire Fighting Equipment	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	8.59	8.11	10.24	5.98	6.64	39.56

Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the Second Control Period at Consultation stage:

4.4.5 The Authority analyzed the variances between the approved CAPEX (as per the Tariff Order for the Second Control Period) and the actual CAPEX incurred for the Second Control Period observed that AAI had not implemented 84% of approved CAPEX. The major items of variances have been presented asset-wise in the below paragraphs.

A. CAPEX incurred towards projects approved by AERA for Second Control Period

A1 and A4: Terminal Building and Electrical Installations:

The Authority as part of its examination noted the variances between the approved CAPEX and actual CAPEX incurred for the Second Control Period with respect to Terminal Building and Electrical Installations. The Authority had approved capital expenditure of ₹ 257.20 Crores (₹131.70 crores for Terminal Building and ₹ 125.50 crores for Electrical Installations) towards Construction, Modification and Expansion of existing Terminal Building in the FY 2020-21, at the time of determination of tariff for the Second Control Period. However, the Authority noted that AAI had incurred only ₹ 9.56 crores towards the above project and the work for the balance cost of ₹ 247.64 crores (₹ 129.70 crores on Terminal Building and ₹ 117.94 crores on Electrical Installations) had not been executed by AAI during FY 2020-21, resulting in non-incurrence of CAPEX by AAI on account of the following reasons:

- Proposed expansion of Terminal Building was fouling with the existing IOCL infrastructure which needs to be relocated to a location that will be identified by AAI and the same was in process.
- Existing cargo building was fouling in the proposed expansion of Terminal Building. Therefore, a new cargo building was planned to be constructed to relocate existing Cargo Building.
- Considering the proposed expansion of Terminal building, the State Administration which

oversees the CRPF, needs to relocate CRPF Barracks to another location outside the airport premises.

- iv. Existing Jet cargo building was in locked condition due to litigation and goods/ equipment kept in this building needs to be shifted and the same was removed after formation of a committee by AAI.
- v. As per the AAI's Board meeting held on September 6, 2022, it was decided to prepare an additional concept of PTB preferably in a rectangular shape including option for service block in the basement to save space. Based on the new concept plan (which is still under discussion/ finalization), area of Terminal Passenger building would further increase.
- vi. AAI vide email dated January 27, 2023 submitted the revised estimate for the expansion of the Terminal Building (refer Annexure III) of this project was estimated to be over ₹ 1,000 Crores as against the earlier projection of ₹ 257.2 crores, due to increase in the cost of modification of Terminal Building, cost of Airport systems and also due to inflationary effect. Therefore, for the proposed cost of this project, approval needs to be obtained from PIB and CCEA, which may take considerable time.

Based on the above factors, the Authority noted that AAI has shifted the expansion of Terminal Building to the fourth control period and the probable time of completion was estimated as January 2027.

In the background of the above facts, the Authority noted that the Capital project on Expansion of Terminal Building at Srinagar International Airport had been proposed in the Second Control Period by AAI and the same has now been postponed to the Fourth Control Period. In view of the above proposed CAPEX for the Second Control Period, there had already been a substantial increase in the ARR, which had resulted in significant increase in the Aeronautical tariffs. The Authority felt that such a practise was not in the interest of Airport users as they start paying higher tariffs in anticipation of enhanced services at the airport against the proposed capital expenditure, which was eventually postponed to Fourth Control period by the Airport Operator.

B. Unplanned/ Unapproved CAPEX incurred by Srinagar International Airport during Second Control Period

The Authority had sought clarification/ justification from AAI on the unplanned CAPEX having the value of more than ₹1 Crore as discussed below:

B6: Other Unclassified Building: The Authority noted that the capital expenditure incurred for other unclassified building included the following:

- Provision of Canopy for Baggage Makeup Area (BMA) and ticketing counters at a cost of ₹ 0.53 Crores.
- Provisioning of Air-lock lobby (Air-lock is a transitional space that typically has two doors in series, that are interlocked to avoid being opened at the same time) with sliding door amounting to ₹ 0.23 Crores.
- Provisioning of tensile canopy in front of Terminal Building amounting to ₹ 0.26 Crores.
- Borewell in non-residential area was provisioned at a cost of ₹ 0.20 Crores.
- Augmentation of water supply line from new Borewell to pump house and in Apron area amounting to ₹ 0.12 Crores.



- Portable shelters (2 Nos) were constructed at Srinagar Airport at a cost of ₹ 0.08 Crores.

B9: Plant & Machinery: The Authority noted that the capital expenditure of ₹ 19.34 Crores incurred for plant & machinery included the following:

- Supply, Installation, testing and commissioning of Inline Baggage System (ILBS) at a cost of ₹ 11.92 Crores for faster movement and flawless security screening of baggage in order to manage the increased passenger movement.
- Supply, Installation, testing and commissioning of Public Address (PA) system at a cost of ₹ 1.19 Crores.
- CCTV cameras were installed at the cost of ₹ 1.13 Crores.
- Supply, Installation, testing and commissioning of 5 Explosive Trace Detectors (ETD) at a cost of ₹ 0.71 Crores.
- Supply, Installation, testing and commissioning of Chiller plants at a cost of ₹ 0.79 Crores.

B11: Other Office Equipment: The Authority noted that the capital expenditure of ₹ 2.14 Crores incurred for other office equipment included the following:

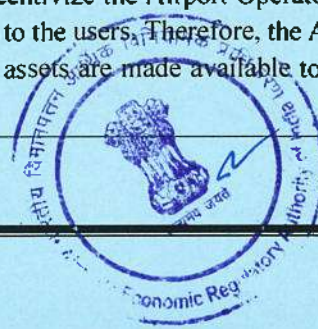
- Biometric Access Control System (BACS) was installed at Srinagar Airport at a cost of ₹ 1.78 Crores.
- LED Televisions (17 Nos.) were procured at a cost of ₹ 0.12 Crores.
- Drinking water coolers (6 Nos.) were installed for CISF at a cost of ₹ 0.02 Crores.
- Desktops (12 Nos.) were procured at a cost of ₹ 0.04 Crores.

Upon analysis of the above capital expenditure (para 4.4.5 B6, B10 and B12), the Authority was of the view that most of these expenses were incurred by Srinagar International Airport either for Passenger facilitation or Security purposes to improve operational needs and mitigate threats. Therefore, the Authority proposed to consider the same for true up of the capital expenditure of the Second Control Period.

4.4.6 The Authority noted that the common assets within the Terminal Building had been apportioned in the Terminal Building ratio of 90:10, in line with the Authority's decision (para 7.10) as per Tariff Order 14/2017-18 for the Second Control Period for Srinagar International Airport.

4.4.7 The Authority noted that Srinagar International Airport had claimed Financing allowance of ₹ 0.61 Crores in the MYTP submitted for the true up of Second Control Period. However, at the time of submission of the MYTP for the Second Control Period, such Financing allowance was neither proposed by Srinagar International Airport nor approved by the Authority in the Tariff Order for the Second Control Period. Even though, considering the nature of Srinagar International Airport as brownfield airport the issue of Financing allowance does not arise at all. However, the Authority had examined AAI's claim towards Financing Allowance and had the following views:

- The Authority considered that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.
- Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users



except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.

- Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO was adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority had never provided financing allowance in the case of brownfield airports and any airport of AAI, in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.
- Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for execution of a project.

Therefore, based on the above analysis, the Authority proposed not to allow the Financing allowance of ₹ 0.61 Crores claimed by AAI for the Second Control Period.

- 4.4.8 The Authority recalls its Decision No. 7b in the Tariff Order 14/ 2017-18 dated October 30, 2017, which states that the “*The Authority decides to true up the RAB of Second Control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority at the time of determination of tariff for the Third Control Period*”. In this regard, the Authority noted that there had been no significant/ major asset addition during the Second Control Period at Srinagar International Airport. Therefore, the Authority proposed to consider the actual CAPEX as ₹ 38.87 Crores (after excluding Financing allowance of ₹ 0.61 Crores) for the purpose of true up for the Second Control Period. The same is detailed as follows:

Table 9: Capital additions proposed by the Authority for True up of the Second Control Period at Consultation stage

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
A. CAPEX incurred towards projects approved by AERA for Second Control Period							
1	Building- Terminal	0.48	-	0.17	-	1.35	2.00
2	Building- Residential	0.78	-	-	-	-	0.78
3	Tools & Equipment	0.05	-	0.02	2.78	0.27	3.12
4	Electrical Installations	1.00	3.23	0.97	-	2.36	7.56
	Total (A)	2.32	3.23	1.15	2.78	3.98	13.46
B. Unplanned/ Unapproved CAPEX incurred by Srinagar International Airport during Second Control Period							
5	Runways / taxiway / Aprons	-	-	0.28	-	-	0.28
6	Other Buildings-Unclassified	-	0.89	0.12	0.09	0.22	1.32

TRUE UP OF THE SECOND CONTROL PERIOD

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
7	Computer & Peripherals: END User	0.09	0.01	0.00	0.07	0.02	0.21
8	Computer & Peripherals: Server & Net	-	0.00	-	-	-	0.00
9	Intangible Assets- Software	-	-	-	-	0.02	0.02
10	Plant & Machinery	0.54	1.36	1.45	8.12	7.30	18.77
11	Other Vehicles	-	0.37	0.09	-	0.49	0.94
12	Other Office Equipment	-	0.05	0.02	1.92	0.15	2.14
13	Furniture & Fixtures-Other than Trolley	0.06	0.01	0.59	-	0.04	0.69
14	Furniture & Fixtures-Trolley	-	-	0.23	-	-	0.23
15	X Ray Baggage System	-	0.61	-	-	0.19	0.80
	Total (B)	0.69	3.30	2.78	10.20	8.43	25.40
	Financing Allowance	-	-	-	-	-	-
	Total (A+B)	3.01	6.53	3.93	12.98	12.41	38.87

4.4.9 The Authority proposed to consider CAPEX of ₹ 38.87 crores for true up of the Second Control Period, which includes unapproved CAPEX of ₹ 25.40 crores, as the Authority noted that the same was incurred by AAI for Srinagar International Airport for passenger facilitation or security purposes to improve operational needs and mitigate threats.

True up of Depreciation for the Second Control Period

4.4.10 The Authority noted that AAI had depreciated assets @ 50% of depreciation rates in the year of capitalization of assets. However, the Authority proposed to consider the depreciation based on the date of capitalization of the asset and compute the depreciation charge accordingly, instead of considering 50% of the depreciation rates in the year of capitalization of the assets.

4.4.11 Based on the above factors, the Authority had recomputed the depreciation on the total CAPEX (after excluding Financing Allowance), as ₹ 40.31 Crores and the same is presented below:

Table 10: Depreciation proposed by the Authority for True up of the Second Control Period at Consultation stage

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Runways / taxiway / Aprons	1.04	1.04	0.80	0.80	0.80	4.50
Road, Bridges & Culverts	0.02	0.02	0.24	-	-	0.29
Building- Terminal	2.36	2.37	1.95	1.95	2.00	10.63
Building - Residential	0.12	0.14	0.14	0.14	0.14	0.69
Security Fencing - Temporary	0.09	0.09	0.00	0.00	0.00	0.18
Boundary Wall -Operational	0.08	0.08	-	-	-	0.16
Other Buildings-Unclassified	0.00	0.02	0.04	0.04	0.05	0.14
Computer & Peripherals: END User	0.15	0.15	0.48	0.01	0.03	0.83
Computer & Peripherals: Server & Net	-	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	0.55	0.64	0.72	0.77	1.71	4.39
Tools & Equipment	0.12	0.13	0.00	0.17	0.21	0.64



TRUE UP OF THE SECOND CONTROL PERIOD

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Office Furniture	0.11	0.11	0.29	-	-	0.52
Other Vehicles	-	0.03	0.06	0.06	0.12	0.27
Vehicle- Cars & Jeeps	0.02	0.02	0.02	-	-	0.07
Electrical Installations	3.01	2.91	4.92	1.04	0.90	12.79
Other Office Equipment	0.08	0.08	0.07	0.05	0.43	0.71
Furniture & Fixtures-Other than Trolley	0.01	0.01	0.10	0.10	0.10	0.31
Furniture & Fixtures-Trolley	0.01	0.01	0.14	0.08	0.08	0.31
X Ray Baggage System	0.78	0.80	0.43	0.43	0.45	2.89
TOTAL	8.58	8.66	10.42	5.64	7.02	40.31

4.4.12 The RAB for the Second Control Period is provided in the Table below:

Table 11: RAB proposed by the Authority for True up of the Second Control Period at Consultation stage

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Opening RAB (1)*	92.28	86.71	79.26	72.77	80.12	
Additions (2) (refer Table 9)	3.01	6.53	3.93	12.98	12.41	38.87
Disposal/Transfers (3)**	-	5.32	-	-	-	5.32
Depreciation (4) (Refer Table 10)	8.58	8.66	10.42	5.64	7.02	40.31
Closing RAB (5) = [(1) + (2) - (3) - (4)]	86.71	79.26	72.77	80.12	85.52	
Average RAB = [(1) + (5)]/2	89.50	82.99	76.02	76.44	82.82	

* Opening RAB has been obtained from tariff Order 14/2017-18 dated October 30, 2017.

** Authority notes that Srinagar Airport has disposed of Operational Boundary wall amounting to ₹ 2.08 Crores, suspected luggage containment vessel and liquid explosive detector worth ₹ 1.57 Crores and X-Ray baggage systems worth ₹ 1.58 Crores during FY 2017-18.

Stakeholders' comments on True up of Capital Expenditure, Depreciation and RAB for the Second Control Period

4.4.13 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 04/2023-24 with respect to True up of Capital Expenditure, Depreciation and RAB for the Second Control Period. The comments by stakeholders are presented below:

AAI's comments on True up of Capital Expenditure, Depreciation and RAB for the Second Control Period

4.4.14 AAI has commented the following:

Disallowing of Financing Allowance

- Direction 5 of 2010-11 of AERA, which entails the methodology of aeronautical tariff determination, allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the Equity portion, before the Asset is put to use.

- The concept of Financing Allowance, its computation and how the Work in Progress Asset includes the Financing Allowance is provided in Paragraph 5.2.7 of the Direction No.05-2010-11. Extract of the same is provided below:

“5.2.7. Work In Progress assets (a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:

$$WIPAt = WIPAt-1 + Capital\ expenditure + Financing\ allowance - Capital\ receipts\ of\ the\ nature\ of\ contributions\ from\ stakeholders\ (SC) - Commissioned\ Assets\ (CA)$$

Where:

WIPAt = Work in progress Assets at the end of Tariff Year t

WIPAt-1 = Work in progress Assets at the end of the Tariff Year t-1

Capital Expenditure= Expenditure on capital projects and capital items made during Tariff Year t.

The Financing allowance shall be calculated as follows:

$$Financing\ Allowance = R_d \times \left(WIPAt-1 + \frac{Capex - SC - CA}{2} \right)$$

Where

Rd is the cost of debt determined by AERA according to Clause 5.1.4.

SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year t.

CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year t.

AERA has further provided an Illustration on Page 28 detailing the working. The extract of the illustration is as under:

Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.

		2010	Tariff	Tariff	Tariff	Tariff	Tariff
		-11	Year 1	Year 2	Year 3	Year 4	Year 5
Opening WIP: WIPAt-1	OW	-	-	-	558	638	-
Capital Expenditure	CE	-	838	521	-	-	-
Financing Allowance	FA = Rd x (OW + (CE - CA - SC)/2)	-	-	37	80	43	-
Capital Receipts	SC	-	200	-	-	-	-
Commissioned Assets	CA	-	633	-	-	681	-
Closing WIP: WIPAt	CW = OW + CE - FA - SC - CA	-	-	558	638	-	-

- The cost of debt, Rd, used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.
- The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.
- The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.



Further, Para 5.2.5 of Direction No. 05 details the forecasting of RAB wherein the commissioned assets (including the Financing Allowance on the assets, when it was in Work in Progress stage) has been added to RAB and forms part of the closing and average RAB workings. The Illustration 4 in Page 23 is given below:

		Forecast RAB					
		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening RAB _{t-1}	OR	22,750	20,500	18,826	16,462	13,998	12,277
Commissioned Assets	CA	-	633	-	-	681	-
Depreciation	DR	2,250	2,307	2,364	2,364	2,402	731
Disposals	Di	-	-	-	100	-	-
Incentive Adjustments	IA	-	-	-	-	-	-
Closing RAB _t	CR=OR+CA- DR-DI+IA	20,500	18,826	16,462	13,998	12,277	11,547
RAB for calculating ARR	RA=(OR+CR)/2		19,663	17,644	15,230	13,138	11,912

- The Clause (d) of Para 5.2.6 defines Commissioned Assets as below:

"Commissioned Assets: Represents investments brought into use during Tariff Year t, consistent with Clause 5.2.7 herein below."

- Thus, from the above clauses it is clear that the Financing Allowance is computed on the Work in Progress balance based on Capital Expenditure incurred which is funded by Equity/Internal accruals and is capitalized as part of Commissioned assets for RAB Computation. In the case of AAI, financing allowance is computed on the equity portion and IDC is computed on the debt portion of the capital spend.
- Thus, Direction 5 provides an explicit, detailed elaboration of Financing allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the Financing allowance are elucidated in detail with examples is contained in the same Direction.

The regulatory principles laid down by AERA and based on which the tariff orders are determined provide a fundamental foundation of the regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated. Following are the examples and extracts of inclusion of financing allowance in RAB by AERA in various Orders:

- CIAL 3rd CP Order:** Vide para 4.4.52 of CIAL order for third control period, for true up of SCP, AERA noted that, in the tariff order for the SCP, it was decided that FA would be trued up based on the final capex. In its MYTP submission, CIAL had proposed an addition of Rs. 11.9 Crore in FY 2020-21 as Financing Allowance for true up of 2nd CP. Accordingly, AERA recomputed FA based on actual WIP capitalized and allowed for inclusion in the true up amount.
- BIAL 3rd CP Order:** Vide para 3.3.78 of BIAL Order for the third control period, AERA has agreed to allow the financing allowance for the second control period.
- Financing allowance was approved and given by AERA in the First and Second Control period for BIAL and in second control period order of CIAL.
- MIAL and DIAL:** It is further to be noted that MIAL and DIAL are governed by tariff determination principles set forth in SSA and OMDA. SSA and OMDA do not contain the concept of financing allowance. Hence, AAI submits that these 2 airports are not comparable with AAI airports.



AAI's Request

- *The AERA Act requires AERA to consider "timely investment in improvement of airport facilities" and "economic and viable operation of major airports". The statement of objects and reasons of the AERA Act requires Authority to encourage investment in airport facilities, create a level playing field and foster healthy competition. The Airports Infrastructure Policy of 1997 and NCAP 2016 also emphasize the need to provide a commercial orientation and encourage private sector participation in the airport sector.*
- *Financing allowance computation is fully in compliance with Direction 5, affirmed by Authority in its various Orders in the past.*
- *Based on the above submissions, AAI submits that non-consideration of Financing allowance amounts to contradiction of AERA's own guidelines. Further, by treating the Financing Allowance proposed by private airports and AAI airports differently vitiates the services expected to be provided by the airport and violates the principle that allows a level playing field for all airports. Also, AAI airports would be denied of revenues that they are rightfully entitled to.*
- *AAI therefore requests AERA to consider the financing allowance of Rs. 0.61 Crore computed for SCP additions.*

Other Stakeholders' comments on True up of Capital Expenditure, Depreciation and RAB for the Second Control Period

4.4.15 FIA has commented the following:

Para 4.4.5 of CP

"It is noted that the expansion of Terminal Building, which was initially proposed and approved in the Second control period was not undertaken and is now postponed for the Fourth control Period.

As observed by AERA in para 4.4.5 of the CP, that about 84% of the approved capital expenditure was not utilized by SIA in the Second Control Period, which was part of the computed ARR at the time. We request AERA to consider implementing a 1% adjustment for the delay in this case as the Airport Operator did not implement/complete the project within the stipulated time."

Para 4.4.5(AI) (vi) of CP

"Capitalization of Terminal Building:

Based on the clarification provided under Annexure III of the CP, we request AERA that:

1. *The expansion of the Terminal Building has been shifted to Fourth Control Period, with revised capital expenditure, hence it should be preceded by conducting an Airport User Consultative Committee meeting.*
2. *AERA may allow only necessary modifications in a phased and modular manner, while taking a normative approach which matches the capacity to projected traffic as determined by AERA and which will avoid undue stress on the Airport end users.*

This view is also supported by National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. Further, this view is also supported by AERA vide its Order No. 14/2016-17 dated 12th January 2017.

Considering the above points, it is stressed that the expansion of the terminal building and its capitalization should be split into at least two (or more) control periods, as per the expected traffic trends estimated at the end of each control period., such that the end users may not bear the pain of the delayed



planning of expansion by AAI."

AAI's responses to other stakeholders' comments on True up of Capital Expenditure, Depreciation and RAB for the Second Control Period

4.4.16 AAI has responded to FIA's comments as under:

"The capitalization of terminal building is made as per accounting standards followed. Considering that there is outflow of cash up to the date of capitalization, returns need to be given as per tariff policy of AERA. AERA is following the policy of cost plus return which is applicable to all the Airport Operator across India. Further, during COVID 19, all the projects on PAN India was standstill and resulted in Lower capital expenditure during the 2020-21 and 2021-22.

The cost of the Capital project has been worked out on the basis of DSR rates and market rates considering the inflation factor and other market driven forces."

Authority's analysis on Stakeholders' comments regarding True up of Capital Expenditure, Depreciation and RAB for the Second Control Period

4.4.17 The Authority has examined the comments of AAI on Financing Allowance. The Authority states the following:

- i. The Authority considers that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.
- ii. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.
- iii. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- iv. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which such allowance was permitted only on the debt portion of the proposed capital expenditure. AERA doesn't understand why AAI keeps stressing on the issue of BIAL, HIAL and CIAL even after understanding the issue as brought out by AERA in different Tariff Orders.
- v. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in



additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional and the AO keeps on enjoying the charges from the users. In the case of Srinagar International Airport, since new projects have included mobilization of existing operations, the said Airport is ought to be considered as a brownfield airport, which would not be eligible for Financing Allowance on the equity portion of newly funded capital projects.

- vi. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Financing allowance is to be provided only on the debt borrowings availed for execution of a project.
- vii. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on both equity and debt portion of the capital expenditure. The proviso to Section 13 (1) (a) states that "different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii) of Section 13 (1) (a)".

Based on the above, the Authority is of the view that there is no reason to deviate from the proposal made by it regarding Financing Allowance, at the Consultation Stage. Refer Para No.4.4.7 of the Tariff Order. Therefore, the Authority sees no merit in AAI's contention.

- 4.4.18 The Authority has noted the comments of FIA and the response of AAI, regarding postponement of capitalization of Terminal Building to the Fourth Control Period.

The Authority has drawn inference from other airports, regarding a trend amongst airport operators, where capital projects are proposed in one Control Period and the same is postponed to the next Control Period. The Authority is of the view that such a practice is not in the interest of airport users as they start paying higher tariffs in anticipation of enhanced services against the proposed capital expenditure, which is eventually postponed to next Control Period by the AO.

The contention of AAI that return needs to be provided by AERA as there has been cash outflows till the date of capitalization is not justified. Further, it is understandable that all CAPEX projects were on standstill during COVID 19 pandemic and there was slow progress in implementation of capital projects during FY 2020-21 and FY 2021-22. As reasons given by AAI for shifting of CAPEX are justified, the Authority decides not to make adjustment of 1% in the ARR in the Second Control Period. Further, it is pertinent to note that there was no clause regarding adjustment of 1% of ARR, with respect to delayed capital projects, in the Tariff Order No. 14/ 2017-18 dated October 30, 2017, issued for the Second Control Period for Srinagar International Airport.

As stated at the Consultation stage (refer para 6.3.9 of this Tariff Order), the Authority decides to re-adjust 1% of the uncanceled project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, while determining tariffs for the next Control Period.

- 4.4.19 The Authority has noted the comments of FIA on conducting AUCC meeting at Srinagar Airport for expansion of the Terminal Building and would like to state that it had also asked AAI, during Stakeholders' Consultation meeting, to hold AUCC meeting in respect of the capital projects proposed at Srinagar Airport.

Regarding FIA's comment on phasing of capitalization of Terminal Building to two or more Control Periods, the Authority hereby states that it considers only those capital projects that are essential from safety/ security/ operational requirements and also examines the efficiency and reasonableness of the capital expenditure proposed by the AO.



Accordingly, the Authority may consider capitalization of Terminal Building at Srinagar Airport, while determining tariff at the time of next Control Period, subject to its assessment of reasonableness and efficiency.

- 4.4.20 Based on the above factors, the Authority decides to consider Capital Expenditure, Depreciation and Regulatory Asset Base for true up of the Second Control Period of Srinagar International Airport, as per Table 9, Table 10 and Table 11.

4.5 True up of Fair Rate of Return

- 4.5.1 The Authority noted that AAI had claimed 14% as Fair Rate of Return, as part of its True up submission for the Second control period and also noted that AAI had not availed any debt during the Second Control Period. Based on the above factors and in line with its decision No. 8a in the Tariff Order No. 14/ 2017-18 dated October 30, 2017 which states that "The Authority decides to consider the FRoR at 14% for civil enclave at Srinagar for the 1st and 2nd control period", the Authority had proposed to consider FRoR @ 14% for true up of the Second Control Period.

Stakeholders' comments on True up of Fair Rate of Return for the Second Control Period

- 4.5.2 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to True up of Fair Rate of Return for the Second Control Period. The comments by stakeholders are presented below:

Other Stakeholders' comments on True up of Fair Rate of Return for the Second Control Period

- 4.5.3 FIA has commented the following:

Para 4.5.1 of CP

"It is submitted that:

- a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.

Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.

- b) We observe that the Fair Rate of Return of 14% provided to the Airport Authority of India ("AAI") is higher in comparison to some of the Airports such as Chennai and Pune. Without prejudice to (a) above, there appears no rationale to provide higher return to AAI for SIA and accordingly AERA may reduce the FRoR suitably."

AAI's responses to other stakeholders' comments on True up of Fair Rate of Return for the Second Control Period

- 4.5.4 AAI has responded to FIA's comments as under:

"The capitalization of terminal building is made as per accounting standards followed. Considering that there is outflow of cash up to the date of capitalization, returns need to be given as per tariff policy of AERA. AERA is following the policy of cost plus return which is applicable to all the Airport Operator



across India. Further, during COVID 19, all the projects on PAN India was standstill and resulted in Lower capital expenditure during the 2020-21 and 2021-22.

The cost of the Capital project has been worked out on the basis of DSR rates and market rates considering the inflation factor and other market driven forces”

Authority's analysis on Stakeholders' comments regarding True up of Fair Rate of Return for the Second Control Period

- 4.5.5 The Authority notes FIA's comments to consider only reasonable rate of return on the assets or reducing it and the response of AAI. The Authority is of the view that an airport is a long-term asset and in such long-term projects, investors desire a stable return on their investment. Therefore, the Authority finds that it is not pragmatic or fair to reduce or not to provide any return on the assets of AAI. Further, as there was no debt availed by AAI during the Second Control Period, the Authority, therefore decides to consider the FRoR as 14%.

4.6 True up of Non-aeronautical revenues

- 4.6.1 The Authority noted that the actual Non-aeronautical revenue submitted by AAI for Srinagar International Airport for true up of the Second Control Period is ₹ 68.71 Crores and the same had been explained in the table below:

Table 12: Actual Non-aeronautical revenue for the Second Control Period submitted by AAI for Srinagar International Airport

(₹ Crores)

S. No.	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Restaurant & Snack Bar	0.92	1.47	7.57	9.61	3.61	23.16
2	Stalls	1.83	2.46	2.45	6.16	0.71	13.60
3	Hoardings & displays	0.29	1.99	2.16	2.43	1.36	8.23
4	Buildings (Residential)	0.00	0.00	0.00	0.03	0.00	0.03
4	Buildings (Non-Residential)	4.22	1.69	1.98	1.78	1.31	10.99
5	Money Exchange Counter	0.07	0.00	0.00	0.00	0.00	0.07
6	Car Parking	0.47	0.47	0.70	0.67	0.20	2.51
7	Admission Tickets	0.07	0.06	0.04	0.06	0.05	0.28
8	Other Income	0.81	0.58	0.36	7.58	0.50	9.83
	Total	8.67	8.72	15.26	28.33	7.74	68.71

- 4.6.2 The Non-aeronautical revenue approved by the Authority in the Tariff Order for Second Control Period was ₹ 54.2 Crores. Component wise details of the Non-aeronautical revenue approved by the Authority in the Tariff Order for the Second Control Period is as follows:

Table 13: Non-aeronautical revenue approved by the Authority for the Second Control Period

(₹ Crores)

S. No	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Restaurant & Snack Bar	1.0	1.2	1.3	1.5	1.8	6.8
2	TR Stalls	1.3	1.5	1.6	1.8	2.2	8.4
3	Hoardings & Displays	0.1	1.7	1.9	2.1	2.6	8.4
4	Money Exchange Counter	0.1	0.1	0.1	0.1	0.1	0.5
5	Land Leases	0.3	0.3	0.3	0.4	0.4	1.7
6	Buildings (Residential)	0.0	0.0	0.0	0.0	0.0	0.0



S. No	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
7	Buildings (Non-Residential)	4.1	4.6	5.0	5.5	6.9	26.1
8	Car Rentals	0.2	0.2	0.2	0.2	0.3	1.1
9	Car Parking	0.3	0.3	0.3	0.4	0.5	1.8
10	Other Income	0.7	0.8	0.9	1.0	1.2	4.6
	Sub-Total	8.2	10.6	11.7	12.9	16.0	59.4
Less:	Adjustments for change in revenue of ground handling charges and cargo considered as Aeronautical revenues	0.5	0.8	0.6	0.7	2.6	5.2
	Total	7.7	9.8	11.1	12.2	13.4	54.2

Authority's examination and proposal regarding true up of Non-aeronautical revenues of the Second Control Period at Consultation stage:

4.6.3 The Authority noted that the actual Non-aeronautical revenue (₹ 68.71 Crores) submitted by AAI for Srinagar International Airport for the Second Control Period was higher than that approved by AERA in the tariff order for the Second Control Period (₹ 54.20 Crores). The Authority examined variances between projected and actual revenue of the following categories:

- **Restaurants and Snack bar:** The revenue projected in this category was ₹ 6.8 Crores, whereas the actual revenue is ₹ 23.16 Crores, which was higher than the projections. The revenue for the year 2019-20 was observed to be higher than the other years (₹ 9.61 Crores), which may be attributable to the increase in passenger traffic in that year.
- **T.R Stalls:** The revenue projected in this category was ₹ 8.4 Crores, whereas the actual revenue was ₹ 13.60 Crores, which was higher than the projections. The revenue for FY 2019-20 was higher than the other years (₹ 6.16 Crores), due to higher passenger traffic.
- There are variances in the other revenue streams (like car parking, admission ticket etc.), which was also on account of drop in the revenues in FY 2020-21 due to the impact of COVID-19 pandemic.
- **Building Non-residential:** The revenue projected in this category was ₹ 26.1 Crores, whereas the actual revenue was ₹ 10.99 Crores which was considerably lower than the projections. It was noted that the revenue from Building Non-residential has depleted from FY 2017-18 onwards, due to reduction in the revenue rates.

Based on the above analysis, the Authority proposed to consider the actual Non-aeronautical revenue as presented in Table 12 for the purpose of true up of the Second Control Period, in line with its Decision No. 9c in the Tariff Order No. 14/ 2017-18 dated October 30, 2017 which states "The Authority decides that Non-aeronautical revenues will be true up if its higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues".

Stakeholders' comments on true up of Non-aeronautical revenue for the Second Control Period

4.6.4 No comments were received from the stakeholders on the true up of Non-aeronautical revenue for the Second Control Period.

Authority's analysis on stakeholders' comments regarding true up of Non-aeronautical revenue for the Second Control Period

4.6.5 The Authority notes that no comments were received from the Stakeholders regarding true up of Non-

aeronautical for the Second Control Period. Therefore, the Authority has decided to consider the actual Non-aeronautical revenue of the Second Control Period as per Table 12, for true up of the Second Control Period.

4.7 True up of Operation and Maintenance (O&M) expenses

4.7.1 The Authority noted that the actual O&M expenses submitted by AAI for Srinagar International Airport for true up of the Second Control Period was ₹ 219.90 Crores and the same had been explained in the table below:

Table 14: Actual O&M expenses submitted by AAI for Srinagar International Airport for the Second Control Period

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Srinagar International Airport	7.48	10.43	11.07	10.55	9.70	49.22
2	Expenditure for Srinagar International Airport employee's retirement benefits allocated at CHQ	0.25	1.53	2.73	1.37	0.12	6.00
A	Total Payroll expenditure (1+2)	7.73	11.96	13.80	11.92	9.81	55.21
3	Administrative and General Expenditure	1.43	2.24	2.98	4.74	3.33	14.72
4	Apportionment of Administration & General expenditure of CHQ/RHQ	7.41	7.17	17.67	28.61	31.14	92.01
B	Total Administration and General expenditure (3+4)	8.84	9.41	20.65	33.36	34.47	106.73
C	Repair & Maintenance Expenditure (Total)	8.16	7.08	7.69	6.32	8.96	38.20
5	Power Charges	2.98	3.25	4.05	3.91	3.95	18.14
6	Consumption of Stores and Spares	0.00	0.00	0.01	0.01	0.02	0.04
7	Other charges	0.03	0.03	0.03	0.03	0.03	0.15
D	Utility and Outsourcing Expenditure (5+6+7)	3.01	3.29	4.08	3.94	4.00	18.33
E	Other Outflows	0.10	0.29	0.42	0.60	0.02	1.43
	Total (A+B+C+D+E)	27.84	32.03	46.64	56.14	57.26	219.90

4.7.2 The O&M expenses approved by the Authority in the Tariff Order for Second Control Period was ₹ 134.50 Crores. Component wise details of the O&M expenses approved by the Authority in the Tariff Order for the Second Control Period was as follows

Table 15: O&M expenses as per the Tariff Order for the Second Control Period

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Srinagar International Airport	8.5	10.6	11.4	12.2	13.0	55.7
2	Expenditure for Srinagar International Airport employee's	1.5	1.8	2.0	2.1	2.3	9.7



S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
	retirement benefits allocated at CHQ						
A	Total Payroll expenditure (1+2)	10.0	12.5	13.3	14.3	15.3	65.4
3	Administrative and General Expenditure	0.9	1.0	1.1	1.2	1.3	5.5
4	Apportionment of administration & General expenditure of CHQ/RHQ	2.1	2.2	2.3	2.5	2.6	11.7
B	Total Administration and General expenditure (3+4)	3.0	3.2	3.4	3.6	3.9	17.1
C	Repair & Maintenance Expenditure (Total)	6.0	6.6	7.2	8.0	8.8	36.6
5	Power Charges	1.6	1.6	1.6	1.6	1.6	8.0
6	Consumption of Stores and Spares	1.1	1.2	1.3	1.4	1.6	6.6
D	Utility and Outsourcing Expenditure (5+6)	2.7	2.8	3.0	3.1	3.2	14.8
E	Other Outflows	0.1	0.1	0.2	0.2	0.2	0.8
	Total (A+B+C+D+E)	21.8	25.2	27.1	29.1	31.3	134.5

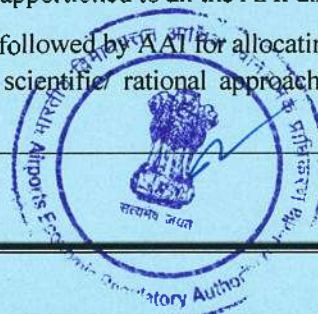
4.7.3 The Authority noted a variance ₹ 85.40 Crores (39%) between the actual O&M expenses incurred by the Srinagar Airport and that approved by the Authority in the Tariff Order for the Second Control Period. The Authority had examined the variances and the same had been explained in the below-mentioned paragraphs:

Authority's examination and proposal regarding true up of O&M expenses of the Second Control Period at Consultation stage:

4.7.4 The Authority examined the variances between the projected and actual O&M expenses and noted the following:

- **Payroll expenses:** The Authority noted that the actual total payroll expenses submitted by AAI for Srinagar International Airport (₹ 55.21 crores) is within the expense approved by the Authority in the Tariff Order of the Second Control Period (₹ 65.4 crores). Therefore, the Authority proposed to consider the actual payroll expenses of FY 2016-17 to FY 2020-21 for true up of the Second Control Period.
- The Authority examined the actual **Administration and General expenditure and Repair & Maintenance expenditure** for the Second Control Period and noted the following:
 - **CHQ/ RHQ allocation –** The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Srinagar International Airport and other airports and noted the following:
 - All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) was allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
 - Expenses such as legal costs, interest/ penalties were related to some specific airports. However, these had been allocated to the common pool and apportioned to all the AAI airports.

The Authority was of the view that the above process followed by AAI for allocating the expenses was not transparent and necessitates adoption of a scientific/ rational approach for justifiable



allocation of expenses to the Airports. Towards this objective, the Authority had examined the major expense components of CHQ and RHQ for the FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 submitted by AAI and had proposed the following views on allocation of CHQ/ RHQ expenses:

a) Pay and Allowances of CHQ and RHQ:

- AAI had considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses were Non-aeronautical in nature.
- AAI had excluded pay and allowances of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion had been done for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provide services to Non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances need to be adjusted accordingly.

Considering all the facts and figures as stated above, the Authority was of the view that 20% of pay and allowances of CHQ had to be excluded towards the following:

- i. Support services to ANS, Cargo and Commercial at CHQ and Airports.
- ii. Officials of Directorate of Commercial.

Balance 80% of pay and allowances of CHQ had been allocated to the Airports.

Further, the Authority noted that the cost of employees repatriated from Delhi Airport have been included under 'Pay and Allowances' of RHQ. Such employees mainly pertain to Fire and Non-Executive Cadre, who do not provide any services for Srinagar Airport. Also, the Authority understands that a portion of JVC employee costs were to be paid by DIAL as per Operation, Maintenance and Development Agreement (OMDA). However, AAI had not provided facts/details of costs reimbursed by DIAL.

The Authority, based on the above facts did not see any merit for inclusion of such cost relating to JVC cell in the tariff determination process or to provision of aeronautical services at the respective airports. Further, these expenses do not bear any cost-relatedness to the aeronautical services provided at the respective airports.

Therefore, based on the above factors, the Authority had rationalised the pay and allowances of RHQ, towards the following:

- i. Support services to ANS, Cargo and Commercial at RHQ and Airports.
- ii. Officials of Directorate of Commercial
- iii. Inclusion of JVC employee costs.

Accordingly, the balance pay and allowances of RHQ had been allocated to the Airport.

b) Administration & General Expenses of CHQ and RHQ:

- AAI had incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority was of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details have not been provided by AAI, the same had not been allocated to the stations.



- AAI had paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority was of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses had not been allocated to the airports.

Based on the above methodology, the Authority had derived the revised allocation of CHQ and RHQ expenses and the same is presented in the table below:

Table 16: Re-allocation of CHQ/ RHQ – Admin and Gen expenses by the Authority for the Second Control Period at Consultation stage

(₹ Crores)

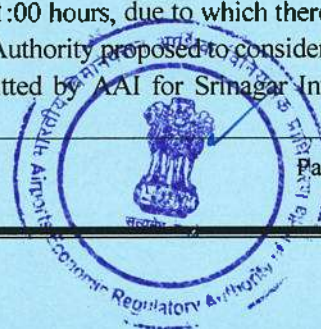
Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	7.41	7.17	17.67	28.61	31.14	92.01
Revised allocation of CHQ/ RHQ expenses by the Authority = B	4.47	3.99	9.76	18.37	20.84	57.43
Variance (A-B)	2.94	3.18	7.91	10.24	10.30	34.58

The Authority was of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority had a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalise the CHQ/ RHQ expenses being allocated to Srinagar International Airport.

The Authority felt that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue was not transparent and efficient method, as it brought large variation in such expenses Year on Year, due to change in revenue and was against the basic principle of cost relatedness in tariff determination. Users of the Major Airports have to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore expects AAI to examine these issues in detail and devise a full proof method for allocation of CHQ & RHQ expenses on priority.

Further, the Authority felt that AAI should exploit the potential of its non-traffic avenues fully so that 30% of the same, by cross subsidisation can be used to cover Aeronautical expenses.

- **Administration expenses (Other than CHQ/ RHQ):** - There was significant variance between the Administration Expenses approved in the Tariff Order of the Second Control Period (₹ 5.5 Crores) and actual expense claimed by AAI (₹ 14.72 Crores). The Authority noted that such increase in Administration Expenses is due to higher upkeep expenses and also hiring of vehicles and manpower and extension of watch hours, which were needed for operational requirements. The Authority would like to draw reference to its Decision No. 10.b. on O&M expenditure in the Tariff Order 14/ 2017-18 for the Second Control Period, that the Authority expects AAI to reduce O&M expenditure over a period of time. However, the Authority noted that the operating time of Srinagar Airport had also increased from 17:30 hours to 21:00 hours, due to which there had been an increase in the Administration expenses. Therefore, the Authority proposed to consider the actual Administration expenses (Other than CHQ/ RHQ) submitted by AAI for Srinagar International



Airport, which is ₹ 14.72 Crores.

- **Repair and Maintenance:** The Authority noted that the actual repair and maintenance cost for the Second Control Period ₹ 38.20 Crores. On further examination of the actual Repairs & Maintenance expenses, the Authority noted that the same are higher than 6% of Opening Net Block (determined in line with the approach followed by the Authority in other similar airports). Therefore, the Authority proposed to rationalize the same by limiting the Repairs and Maintenance expenses to 6% of Opening RAB (Net Block) for all the 5 tariff years in the Second Control Period.

Furthermore, the Authority noted that the actual repair and maintenance expenses include snow clearing expenses amounting to ₹ 4.22 Crores for the Second Control Period. The Authority noted that the said expense has been incurred by the Srinagar Airport, due to the unusual climatic conditions, that are peculiar to this Airport. Based on the above factors, the Authority proposed to allow the actual snow clearing expenses of ₹ 4.22 Crores incurred by the Srinagar Airport, apart from the Repair and Maintenance expenses rationalized by the Authority (to the extent of 6% of Opening RAB of each tariff year) for the true up of the Second Control Period. Details of the same are provided in the table below:

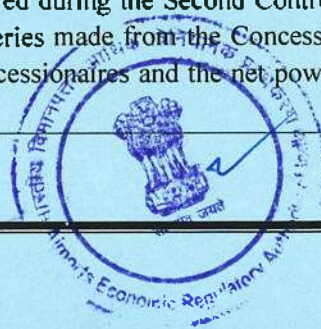
Table 17: Repairs and Maintenance expenses proposed by the Authority for true up of the Second Control Period at the Consultation stage

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Repairs and Maintenance expenses claimed by AAI = A	8.16	7.08	7.69	6.32	8.96	38.20
Opening Net block (RAB) for Second Control Period (refer Table 11) = B	92.28	86.71	79.26	72.77	80.12	
Repairs and Maintenance as 6% of Opening RAB = C (6% * B)	5.54	5.20	4.76	4.37	4.81	24.67
Snow Clearing expenses = D	0.57	1.05	0.79	0.91	1.21	4.22
Total Repair and Maintenance proposed by Authority: E = (C+D)	6.10	6.25	5.55	5.28	5.72	28.89
Variance (A-E)	2.06	0.83	2.14	1.04	3.24	9.31

- **Power Charges:** AAI had incurred actual power charges of ₹ 21.37 Crores during Second Control Period, out of which ₹ 3.23 Crores had been recovered from the Concessionaires and had claimed the net power charges of ₹ 18.14 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the Second Control Period. However, the actual power charges claimed by AAI (₹ 18.14 Crores) was much higher than the approved expense of ₹ 8.00 Crores. The Authority noted that the variance between approved and actual power costs during the Second Control Period was due to extension of watch hours and operations at Srinagar Airport. Further, in peak winter season the Airport has to operate 03 numbers of HSD boilers and during peak summers, airport has to operate 02 no of Chiller plants. The Authority further noted that Srinagar International Airport was operated till 17:30 hours prior to FY 2016-17, whereas it was operated till 21:00 hours (approx.) during Second Control Period. Based on the above factors, the Authority proposed to consider the actual power costs incurred by AAI for Srinagar International Airport for true up of the Second Control Period.

The Authority noted that the above power costs incurred during the Second Control Period and claimed by AAI as a part of true up, are net of recoveries made from the Concessionaires. The total power costs incurred, recoveries made from Concessionaires and the net power costs have



been summarized in the table below:

Table 18: Details of power costs incurred and recoveries made from Concessionaires

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Total power costs (A)	3.56	3.76	4.97	4.71	4.37	21.37
Recoveries from Concessionaires (B)	0.58	0.51	0.92	0.80	0.42	3.23
Recoveries (%) = (B/A%)	16%	13%	18%	17%	10%	
Net power costs (A-B)	2.98	3.25	4.05	3.91	3.95	18.14

• **Consumption of Stores and Spares and other charges:**

The Authority noted that the actual expenses amounting to ₹0.04 Crore incurred by AAI for Srinagar International Airport on Consumption of Stores and Spares and other charges was within the amount approved by the Authority of ₹ 6.60 Crores in the Tariff Order for the Second Control Period. Therefore, the Authority proposed to consider the same for true up of the Second Control Period.

4.7.5 Based on the above review and analysis, the revised Operation and Maintenance expenses proposed by the Authority for the Second Control Period had been provided in the table below:

Table 19: O&M expenses proposed by the Authority for True up of the Second Control Period at Consultation stage

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Srinagar International Airport	7.48	10.43	11.07	10.55	9.70	49.22
2	Expenditure for Srinagar International Airport employee's retirement benefits allocated at CHQ	0.25	1.53	2.73	1.37	0.12	6.00
A	Total Payroll expenditure (1+2)	7.73	11.96	13.8	11.92	9.82	55.22
3	Administrative and General Expenditure	1.43	2.24	2.98	4.74	3.33	14.72
4	Apportionment of Administration & General expenditure of CHQ/RHQ	4.47	3.99	9.76	18.37	20.84	57.43
B	Total Administration and General expenditure (3+4)	5.90	6.23	12.74	23.11	24.17	72.15
C	Repair & Maintenance Expenditure (Total)	6.10	6.25	5.55	5.28	5.72	28.89
5	Power Charges	2.98	3.25	4.05	3.91	3.95	18.14
6	Consumption of Stores and Spares	0	0	0.01	0.01	0.02	0.04
7	Other charges	0.03	0.03	0.03	0.03	0.03	0.15
D	Utility and Outsourcing Expenditure (5+6+7)	3.01	3.28	4.09	3.95	4.00	18.32



TRUE UP OF THE SECOND CONTROL PERIOD

enhance the customer experience. R & M expenses are incurred at an airport based on the operational requirement at the airport. The R & M expenses at an airport would vary based on various factors including the location and other conditions at the airport. Capping the expenditure to 6% of the opening RAB is not a logical approach as even when considering that the R & M is kept constant, in terms of %age, R & M expenses on Net RAB would keep increasing. (refer table below)

Particulars	Year1	Year2	Year3	Year4	Year5	Year6
Gross Block	100	100	100	100	100	100
Dep rate	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Dep CY	12.5	12.5	12.5	12.5	12.5	12.5
Accumulated Depreciation	12.5	25	37.5	50	62.5	75
Net block	87.50	75	62.5	50	37.50	25
Fixed R&M	4	4	4	4	4	4
% R&M expenses on Net RAB	4%	4.57%	5.33%	6.40%	8.00%	10.67%

As R&M costs increase with life of assets due to wear and tear, AERA is requested to consider actual R&M instead of restricting it to 6% of opening RAB.

Authority's analysis on Stakeholders' comments regarding true up of the Operation and Maintenance Expenses for the Second Control Period

- 4.7.8 The Authority has noted AAI's comments on CHQ/ RHQ expense allocation and has given its detailed views at the Consultation stage for reducing the allocation of Payroll allowances of CHQ by 20% (refer para 4.7.4 in this Tariff Order).

However, the Authority, after taking cognizance of AAI's comments, decides to consider reducing the allocation of Payroll allowances of RHQ by 20%, as against 50% considered at the consultation stage.

Based on its detailed analysis, the Authority is of the view that the process followed by AAI for allocation of CHQ/ RHQ expenses is inefficient and non-transparent.

Based on the above factors, the Authority decides to consider the following allocation of CHQ/ RHQ – Admin and General expenses for true up of the Second Control Period:

Table 20: Re-allocation of CHQ/RHQ-Admin and Gen expenses decided by the Authority for the Second Control Period

Particulars	(₹ Crores)					Total
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	7.41	7.17	17.67	28.61	31.14	92.01
Revised allocation of CHQ/ RHQ expenses by the Authority = B	6.05	5.65	14.04	24.26	27.08	77.08
Variance (A-B)	1.36	1.52	3.63	4.35	4.06	14.93

- 4.7.9 The Authority has noted the comments of AAI on capping of R&M expenses.

In this regard, the Authority would like to state that it had allowed snow clearing expenses of ₹ 4.22 Crores for the Second Control Period (which is apart from the R&M expenses rationalized by the



Authority to the extent of 6% of opening RAB of each tariff year), as these expenses are peculiar to Srinagar Airport due to the unusual climatic conditions.

However, the Authority had rationalized the R&M expenses by limiting it to 6% of Opening RAB, based on its experience with similar sized airports and would like to point out that it had proposed this practice consistently in the past across all similar airports, in order to rationalize the Repairs & Maintenance expenses. In addition, the Authority has also allowed snow clearing expenses which is peculiar to this Airport.

Based on the above factors, the Authority is of the view that its proposal already stated at the Consultation stage (refer para 4.7.4 of this Tariff Order) is reasonable and justified and hence, sees no reason to deviate from its stand taken at the Consultation stage.

- 4.7.10 Based on the above factors, the Authority decides to consider the O&M expenses for true up of the Second Control Period, which is as follows:

Table 21: O&M expenses decided by the Authority for True up of the Second Control Period

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Srinagar International Airport	7.48	10.43	11.07	10.55	9.70	49.22
2	Expenditure for Srinagar International Airport employee's retirement benefits allocated at CHQ	0.25	1.53	2.73	1.37	0.12	6.00
A	Total Payroll expenditure (1+2)	7.73	11.96	13.8	11.92	9.82	55.22
3	Administrative and General Expenditure	1.43	2.24	2.98	4.74	3.33	14.72
4	Apportionment of Administration & General expenditure of CHQ/RHQ	6.05	5.65	14.04	24.26	27.08	77.08
B	Total Administration and General expenditure (3+4)	7.48	7.89	17.02	29.00	30.41	91.80
C	Repair & Maintenance Expenditure (Total)	6.10	6.25	5.55	5.28	5.72	28.89
5	Power Charges	2.98	3.25	4.05	3.91	3.95	18.14
6	Consumption of Stores and Spares	0	0	0.01	0.01	0.02	0.04
7	Other charges	0.03	0.03	0.03	0.03	0.03	0.15
D	Utility and Outsourcing Expenditure (5+6+7)	3.01	3.29	4.08	3.94	4.00	18.32
E	Other Outflows	0.10	0.29	0.42	0.60	0.02	1.43
	Total (A+B+C+D+E)	24.42	29.68	40.87	50.75	49.95	195.66

4.8 True up of Taxation

- 4.8.1 AAI had submitted taxation for the Second Control Period as follows:

Table 22: Taxation submitted by AAI for Srinagar International Airport

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Revenue (A)					
Aeronautical Revenue	9.87	21.37	51.68	58.24	38.64
Total (A)	9.87	21.37	51.68	58.24	38.64
Expenses (B)					
O&M expenses (Refer Table 14)	27.84	32.03	46.64	56.14	57.26
Depreciation (as per Income Tax Act, 1961)	8.70	7.60	7.32	7.60	8.47
Total (B)	36.54	39.63	53.96	63.74	65.73
Profit /Loss (A-B)	(26.67)	(18.26)	(2.28)	(5.50)	(27.09)
Tax Rates (D)	34.61%	34.61%	34.94%	25.17%	25.17%
Tax (C*D)	0.00	0.00	0.00	0.00	0.00

- 4.8.2 The Authority noted that AAI had incurred losses during all the five tariff years during the Second Control Period, due to which the taxes were nil. The Authority proposed to consider the tax as NIL for True up of Second control period.

Stakeholders' comments on true up of taxation for the Second Control Period

- 4.8.3 No comments were received from the Stakeholders on true up of taxation for the Second Control Period.

Authority's analysis on stakeholders' comments on true up of taxation for the Second Control Period

- 4.8.4 The Authority notes that no comments were received from the Stakeholders regarding true up of taxation for the Second Control Period. The taxation considered by the Authority for true up of the Second Control Period has been shown as follows:

Table 23: Taxation decided by Authority for true up of Second Control Period for Srinagar International Airport

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Total
Revenue (A)					
Aeronautical Revenue	9.87	21.37	51.68	58.24	141.17
Total (A)	9.87	21.37	51.68	58.24	141.17
Expenses (B)					
O&M expenses	27.84	32.03	46.64	56.14	162.64
Depreciation (as per Income Tax Act, 1961)	8.69	7.60	7.31	7.56	31.16
Total (B)	36.54	39.63	53.95	63.69	193.80
Profit /Loss (A-B)	(26.66)	(18.26)	(2.27)	(5.45)	(52.64)
Tax Rates (D)	34.61%	34.61%	34.94%	25.17%	25.17%
Tax (C*D)	0.00	0.00	0.00	0.00	0.00

4.9 True up of Aeronautical Revenue

- 4.9.1 AAI had submitted the actual Aeronautical revenue for the Second Control Period for Srinagar



International Airport, which is as follows:

Table 24: Aeronautical revenue submitted by AAI for Srinagar International Airport

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Parking & Housing charges						
Parking & Housing charges	0.00	0.01	0.06	0.07	0.18	0.32
PSF and UDF charges						
PSF Domestic	7.99	6.93	0.08	-	-	15.01
PSF International	-	-	-	-	-	-
UDF Domestic	-	11.62	47.65	53.05	35.18	147.49
UDF International	-	-	-	0.82	-	0.82
Other revenue						
Extension of Watch Hours	-	-	0.02	0.03	0.02	0.08
CUTE charges	1.07	1.62	2.03	2.38	1.71	8.81
Fuel Throughput Revenue	0.05	0.37	0.30	0.26	-	0.98
Ground Handling Revenue	0.50	0.58	0.59	0.65	0.53	2.85
Cargo Revenue	0.01	-	0.72	0.73	0.76	2.21
Land lease to Oil companies	0.24	0.25	0.23	0.26	0.26	1.24
Total	9.87	21.37	51.68	58.24	38.64	179.80

- 4.9.2 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2017 to FY 2021) and proposed to consider the Aeronautical revenue as per Table 24 for True up of Second control period. The Authority noted the actual Aeronautical revenue achieved by Srinagar International Airport for the period FY 2016-17 to FY 2020-21 is based on the actual traffic data available in AAI's website.

Stakeholders' comments on true up of Aeronautical revenue for the Second Control Period

- 4.9.3 No comments were received from the stakeholders on the true up of Aeronautical revenue for Second Control Period.

Authority's analysis on stakeholders' comments regarding true up of Aeronautical revenue for the Second Control Period

- 4.9.4 The Authority notes that no comments were received from the Stakeholders regarding true up of Aeronautical revenue for the Second Control Period. Therefore, the Authority has decided to consider the actual Aeronautical revenue of the Second Control Period as per Table 24, for true up of the Second Control Period.

4.10 True up of Aggregate Revenue Requirement (ARR) for the Second Control Period

Authority's examination of ARR for the Second Control Period at the Consultation stage

- 4.10.1 As stated in para 1.2.4, Srinagar International Airport had become a Non-Major Airport in FY 2020-21, as its passenger throughput during FY 2020-21 was lesser than the threshold limit of 3.5 MPPA defined under the AERA Amendment Act, 2019. Therefore, the Authority proposed not to consider the under-recovery for the FY 2020-21 for true up of the Second Control Period, while determining tariff for the



Third Control Period.

Simultaneously, the Authority proposed to calculate compounding of Under-recovery for the FY 2016-17 to FY 2019-20 by excluding compounding impact for FY 2020-21 (as the Airport had been a Non-Major Airport during FY 2020-21).

4.10.2 Based on the above factors and the regulatory building blocks discussed under the above sections, the Authority had derived the ARR for true up of the Second Control Period which is enumerated in the table below:

Table 25: ARR proposed by the Authority for True up of the Second Control Period at Consultation stage

(₹ Crores)

Particulars	Formula	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Total
Average RAB (refer Table 11)	a	89.50	82.99	76.02	76.44	
FRoR	b	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	12.53	11.62	10.64	10.70	45.49
Depreciation (refer Table 10)	(d)	8.58	8.66	10.42	5.64	33.30
O&M expenses (refer Table 19)	(e)	22.84	28.01	36.59	44.85	132.29
Tax	(f)	-	-	-	-	-
Add: Under recovery of First Control Period*	(g)	177.10	-	-	-	177.10
Gross ARR	(h) = (c+ d+ e+ f+ g)	221.04	48.29	57.65	61.19	388.18
NAR (refer Table 12)		8.67	8.72	15.26	28.33	60.98
Less 30% NAR	(i)	2.60	2.61	4.58	8.50	18.29
Net ARR	(j) = (h - i)	218.44	45.68	53.08	52.70	369.89
Actual Aeronautical Revenue (refer Table 24)	(k)	9.87	21.37	51.68	58.24	141.17
Discount Factor (@14%)	(l)	1.69	1.48	1.30	1.14	
Discounted ARR	(m)	368.94	67.67	68.98	60.07	565.66
Discounted Aeronautical revenue	(n)	16.67	31.66	67.17	66.39	181.90
Under/ (Over) recovery of Second Control Period as on March 31, 2022	(m-n)	352.26	36.01	1.81	(6.32)	383.76
True up of Under Recovery of Second Control Period as on March 31, 2022			383.76			

4.10.3 The Authority noted that the Under-recovery of ₹ 383.76 Crores (in NPV terms) of the Second Control Period had not factored the Under-recovery and compounding effect of FY 2020-21, as Srinagar International Airport was a Non-Major Airport during FY 2020-21 (refer para 4.10.1). The Authority proposed to readjust the above Under-recovery of the Second Control Period in the ARR computation of the Third Control Period.

Stakeholders' comments on true up of ARR for the Second Control Period

4.10.4 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to True up of ARR for the Second Control Period. The comments by stakeholders are presented below:

AAI's comments on true up of true up of ARR for the Second Control Period

4.10.5 AAI has commented the following:



Para 4.10 and 4.11 of CP

- MoCA vide letter No. AV 20036/9/2017-AD dt. 14th January 2020 has clarified that tariff would continue to be applicable for the 2nd Control Period i.e., Up to 31st March 2021 and the tariff for the next control period would be determined based on the passenger throughput criteria as defined in the AERA Act. It is understood from MOC.A's letter that the tariff includes true up of the previous control period (01/04/2016 to 31/03/2021) so that the airport operator need not go through the loss due to change in law on account of AERA act amendment. Whereas AERA vide order 04/2023-24 has considered the period of only 4 years (from 2016-17 to 2019-20) while truing up the 2nd Control Period leaving a gap of 1 year.
- This has resulted in under recovery of Rs. 39.58 Cr of FY 2020-21 which AAI will never be able to recover which is as under: -

As per Table 2 of Consultation Paper 04/2023-24	In INR Crore
Return on Average RAB	11.75
Operating Expenditure	57.25
Depreciation	6.64
Less 30% of NAR	2.32
ARR	73.32
Aeronautical Revenue	38.64
Shortfall	34.72
PV of Shortfall	39.58

- In view of the above AERA is requested to consider the entire period of 2nd CP (01.04.16 to 31.03.2021) for true up.

Para 4.10 and 4.11 of CP

- Srinagar was originally major airport during the second control period but due to change in limits of passenger throughput from 1.5 MPPA to 3.5 MPPA, AERA has considered Srinagar for FY 2020-21 as non-major airport and this year was considered outside AERA's regime.
- Irrespective of whether FY 2020-21 is considered as Major/Non major, the shortfall of the previous years of the control period in which AAI was a Major airport should be compounded in FY 2020-21 till the effective date of the revised tariff as per AERA order. This impact due to not compounding in FY 2020-21 has resulted in loss of Rs. 53.73 Cr. to AAI.
- It is also very pertinent to mention that AERA has carried forward a shortfall of Rs. 177.10 Crores in the first control period to the second control period. AAI ought to get the compounding for the entire second control period till the year of implementation of tariff.

PV of Shortfall as per AAI						
YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Short fall	208.57	24.31	1.4	-5.54	0	228.74
Compounding year	5	4	3	2	1	
PV Factor	1.93	1.69	1.48	1.30		6.40
PV of Shortfall (B)	401.58	41.06	2.07	-7.20		437.52
Diff in PV of Shortfall (B-A)	49.32	5.04	0.25	-0.88	0.00	53.73



In view of the above, AERA is requested to consider the effect of compounding in FY 2020-21.

Other Stakeholders' comments on true up of ARR for the Second Control Period

4.10.6 FIA has commented the following:

Para 1.2.4, 4.7.4 (b), 14.2.7 of CP

"We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the NPV of the Under-recovery of FY 2020-21, or due to interest/penalties paid to Government of India at both CHQ and RHQ levels due to various lapses/delays on the part of the Airport Operator, or due to deficiency to recover the ARR on account of higher O&M expenses projected for the Third Control Period caused due to under-recovery pertaining to the First Control Period and the Second Control Period."

4.10.7 IATA has commented the following:

True-up recovery

"We have noted that significant true-up of the under-recoveries from the First control period amounting to Rs. 177.1cr and subsequently from the Second control period amounting to Rs. 383.76 resulted in a significant cost impact in the Third control period.

- *Whilst we understand the current regulatory approach of "guaranteeing" a return and the true-up mechanism, it is important to note that AAI as the airport operator should assume some of the deficits/under-recoveries. The present arrangement leads to airport operators recouping their losses.*
- *Given the strategic national role of the Srinagar airport, we suggest that there should be a joint funding model i.e., Government/AAI + airport users.*

We have also noted the details in the CP on how Srinagar airport was declared a major airport in June 2015; thereafter becoming a non-major airport in 2019 through the change in the definition of major airport (which was amended to 3.5 Mn Pax per Annum); and then based on MoCA Order of Nov 2021, once again being notified as a major airport. We agree with the decision to exclude the Under recovery of 2020-21, as Srinagar Airport was a non-Major airport during 2020-21; thus, protecting the passenger interest arising on account of the NPV of the Under-recovery of FY 2020-21."

AAI's responses to other stakeholders' comments on true up of ARR for the Second Control Period

4.10.8 AAI has responded to FIA's comments as under:

"The capitalization of terminal building is made as per accounting standards followed. Considering that there is outflow of cash up to the date of capitalization, returns need to be given as per tariff policy of AERA. AERA is following the policy of cost plus return which is applicable to all the Airport Operator across India. Further, during COVID 19, all the projects on PAN India was standstill and resulted in Lower capital expenditure during the 2020-21 and 2021-22.

The cost of the Capital project has been worked out on the basis of DSR rates and market rates considering the inflation factor and other market driven forces."

4.10.9 AAI has responded to IATA's comments as under:

- *"The basic philosophy of any tariff is that the airport operator should be able to recover the cost-plus reasonable return on capex. Carry forward of losses will affect the cash flow of airport*



operator and may affect operations of airport.

- *Srinagar Airport was the major airport in the 1st control period. Also, upto 2019, till the amendment of AERA act Srinagar has been a major airport. Change in law by the way of amendment of the act should not affect the airport operator. That is the reason MoCA vide letter No. AV 20036/9/2017-AD dt. 14th January 2020 has clarified that tariff would continue to be applicable for the 2nd Control Period i.e., Upto 31st March 2021 and the tariff for the next control period would be determined based on the passenger throughput criteria as defined in the AERA Act. Considering one year that is FY 2020-21 in a control period as non-major has no logic and unnecessary AAI is suffering loss on account of this."*

Authority's analysis on Stakeholders' comments regarding true up of ARR for the Second Control Period

- 4.10.10 The Authority has noted the comments of AAI on compounding of Under-recovery and states that as explained at the consultation stage (refer para 4.10.1 of this Tariff Order), AERA has taken a holistic view in excluding the NPV of under recovery of FY 2020-21, in the larger interest of the Airport Users, as it is not fair to burden them with excessive tariff by considering the compounding factor of FY 2020-21 (being the year in which Srinagar Airport was a Non-major airport).

Therefore, the Authority had calculated the compounding of Under-recovery for the FY 2016-17 to FY 2019-20 by excluding compounding impact for FY 2020-21.

Based on the above factors, the Authority does not see any merit in AAI's contention and decides to maintain its stand taken at the consultation stage.

- 4.10.11 With respect to AAI's comments on exclusion of under-recovery of FY 2020-21, the Authority hereby clarifies that MoCA's letter No. AV 20036/9/2017-AD dated 14th January 2020 only mentions about the status of Srinagar Airport as 'Non-Major' Airport and the tariff then existing, would continue during the Second Control Period.

In this regard the extract of the said letter is reproduced as under "(ii) *The tariff as already determined by AERA w.r.t. Nagpur, Calicut, Srinagar, Coimbatore, Vishakhapatanam and Kannur airports, shall continue to be applicable for the current control period. Once the current control period is over, the tariff determination shall take place based on the passenger throughput criteria as amended in AERA Act.*"

However, the aforementioned letter from MoCA does not mention about the methodology to be adopted for determination of tariff. The guiding principles followed with respect to determination of true up of the Second Control Period of Srinagar International Airport is within the domain of AERA.

- 4.10.12 The Authority has noted the comments of FIA and the response of AAI on the same. AERA acknowledges the views of FIA about the various Building blocks.

- 4.10.13 The Authority has noted the comments of IATA and the response of AAI on true up of the under recoveries of First and Second Control Period of Srinagar International Airport. AERA has stated its detailed views and justification for excluding the under-recovery of FY 2020-21 at the Consultation stage (refer para 4.10.1 of this Tariff Order), keeping in mind, the larger interest of the Airport Users, as it may not be fair to make them bear the extra tariff burden, arising out of the NPV of the Under-recovery of FY 2020-21 (being the year in which Srinagar Airport was a Non-major airport).

Further, with respect to AAI's concerns regarding the cash flows of the Airport, the Authority is of the view that the management of cash flow is the business decision of the AO and AERA has to maintain the balance between the various stakeholders.



In view of the above, the Authority does not find any merit in AAI's contention that exclusion of FY 2020-21 has no logic and decides to maintain its stand as stated at the Consultation stage.

4.10.14 Based on the above factors, the Authority has re-computed ARR, which it has decided to consider for true up of the Second Control Period, which is as follows:

Table 26: ARR decided by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	Formula	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Total
Average RAB (refer Table 11)	a	89.50	82.99	76.02	76.44	
FRoR	b	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	12.53	11.62	10.64	10.70	45.49
Depreciation (refer Table 10)	(d)	8.58	8.66	10.42	5.64	33.30
O&M expenses (refer Table 21)	(e)	24.42	29.68	40.87	50.75	145.71
Tax	(f)	-	-	-	-	-
Add: Under recovery of First Control Period	(g)	177.10	-	-	-	177.10
Gross ARR	(h) = (c+ d+ e+ f+ g)	222.62	49.96	61.93	67.09	401.60
NAR (refer Table 12)		8.67	8.72	15.26	28.33	60.98
Less 30% NAR	(i)	2.60	2.61	4.58	8.50	18.29
Net ARR	(j) = (h - i)	220.02	47.34	57.35	58.59	383.30
Actual Aeronautical Revenue (refer Table 24)	(k)	9.87	21.37	51.68	58.24	141.17
Discount Factor (@14%)	(l)	1.69	1.48	1.30	1.14	
Discounted ARR	(m)	371.60	70.14	74.54	66.79	583.07
Discounted Aeronautical revenue	(n)	16.67	31.66	67.17	66.39	181.90
Under/ (Over) recovery of Second Control Period as on March 31, 2022	(m-n)	354.93	38.47	7.37	0.40	401.17
True up of Under Recovery of Second Control Period as on March 31, 2022		401.17				

4.10.15 The variance of ₹17.41 Cr. between the Under-recovery decided by the Authority, which is ₹ 401.17 Cr. for true up of the Second Control Period and that proposed by the Authority at the Consultation stage, which is ₹ 383.76 Cr. is on account of increase in the allocation of CHQ/ RHQ expenses to the Airport, as explained in para 4.7.8 of this Tariff Order.

4.11 Authority's decisions regarding True up of the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with respect to true up of the Second Control Period for Srinagar Airport:

- 4.11.1 To consider capital additions as detailed in Table 9 for true up of the Second Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 10 for true up of the Second Control Period.
- 4.11.3 To consider RAB as per Table 11 for true up for the Second Control Period.
- 4.11.4 To consider the Non-aeronautical revenues as presented in Table 12 for the purpose of true up of the Second Control Period.
- 4.11.5 To consider the O&M expenses as detailed in Table 21 for the purpose of true up of the Second Control



Period.

- 4.11.6 To consider actual Aeronautical revenue as per Table 24 for true up of the Second Control Period for Srinagar Airport.
- 4.11.7 To consider ARR and Under-recovery as detailed in Table 26 for true up of the Second Control Period for Srinagar Airport and readjust the shortfall in the Third Control Period.



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5 TRAFFIC FOR THE THIRD CONTROL PERIOD

5.1 AAI's submission of Traffic for the Third Control Period for Srinagar International Airport

5.1.1 The historical passenger traffic² and ATM at the airport has been shown in the table below:

Table 27: Historical passenger and ATM traffic at Srinagar Airport (in numbers)

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2009-10	906,824	19,696	926,520	8,386	264	8,650
2010-11	1,039,505	0	1,039,505	9,016	0	9,016
2011-12	1,632,098	0	1,632,098	12,187	0	12,187
2012-13	1,844,222	17,469	1,861,691	13,985	124	14,109
2013-14	1,985,806	17,380	2,003,186	15,158	130	15,288
2014-15	2,025,756	15,052	2,040,808	14,698	130	14,828
2015-16	2,304,199	6,630	2,310,829	16,228	40	16,268
2016-17	2,088,871	12,891	2,101,762	15,467	76	15,543
2017-18	2,424,748	15,719	2,440,467	17,834	84	17,918
2018-19	2,724,651	12,909	2,737,560	18,620	126	18,746
2019-20	2,799,154	21,770	2,820,924	19,367	288	19,655
2020-21	1,799,748	3,156	1,802,904	13,051	21	13,072

5.1.2 The traffic growth rates and traffic as submitted by AAI for the Third Control Period were as follows:

Table 28: Traffic growth rates and traffic proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates (based on FY 20-21)						
2021-22	75.01%	174.97%	75.18%	86.70%	257.14%	86.97%
2022-23	8.79%	-	8.50%	1.23%	-	0.92%
2023-24	10.00%	-	10.00%	8.00%	-	8.00%
2024-25	10.00%	-	10.00%	8.00%	-	8.00%
2025-26	7.00%	-	7.00%	6.00%	-	6.00%
Traffic						
2021-22	3,149,722	8,678	3,158,400	24,366	75	24,441
2022-23	3,426,720	0	3,426,720	24,666	0	24,666
2023-24	3,769,392	0	3,769,392	26,640	0	26,640
2024-25	4,146,331	0	4,146,331	28,771	0	28,771

² Source: Traffic News from AAI website



Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2025-26	4,436,575	0	4,436,575	30,497	0	30,497

5.1.3 AAI had submitted that the passenger traffic and aircraft movement projections were based on past trends, econometric and regression analysis, and various economic factors including policy framework.

5.2 Authority's examination of Srinagar International Airport's submission of Traffic for the Third Control Period at Consultation stage

5.2.1 As part of its examination of AAI's forecast of traffic at Srinagar Airport, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2014-15 to FY 2019-20 (5-year CAGR) and FY 2016-17 to FY 2019-20 (3-year CAGR).

5.2.2 For the computation of CAGR, the Authority had considered the traffic data of FY 2019-20 as the base, since FY 2020-21 being an exceptional event year, may not provide an appropriate basis for arriving at CAGR. The CAGR details so computed have been provided in the table below:

Table 29: CAGR for passenger traffic and ATM

Particulars	5-year CAGR	3-year CAGR
Passengers:		
Domestic	6.7%	10.2%
International	7.7%	19.1%
Total Passenger Traffic	6.7%	10.3%
ATM:		
Domestic	5.7%	7.8%
International	17.2%	55.9%
Total ATM	5.8%	8.1%

5.2.3 The Authority had noted the wide variation in traffic in the recent past, which caused the CAGR for 3-year period to be the highest for International Air Traffic Movement.

5.2.4 There was a de-growth of 36% and 86% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21 (over previous financial year), due to the adverse impact of COVID-19 pandemic on the domestic and international travels. Similarly, a de-growth of 33% and 93%, respectively in domestic ATM and international ATM for FY 2020-21 (over previous financial year).

5.2.5 AAI assumed the traffic volume to revive in FY 2021-22 and had projected a growth of 75% in domestic passenger traffic and of 175% in international passenger traffic. Likewise, AAI had projected a growth of 87% in domestic ATM and 257% in international ATM in FY 2021-22.

5.2.6 AAI had not projected international passenger and ATM for Srinagar International Airport, due to stoppage of the Haj movements on account of COVID-19 pandemic, which may vary year on year.

Computation of revised traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

The revised traffic forecasts had been computed by the Authority, after considering the study and analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

5.2.7 Airport International Council (ACI)

ACI in its recent report had analysed the impacts of COVID-19 pandemic on airports and its path



to recovery:

- *Despite strong headwinds, the industry is continuing to recover as more countries ease travel restrictions and open their markets, including Japan in the Asia-pacific region. This coupled with the propensity for air travel will drive the industry's recovery, expected to reach 2019 levels in 2024.*
- *Markets like Colombia, Mexico and Nigeria welcomed a surge in demand and exceeded their 2019 levels. The United States (87% of 2019), Spain (82%), Brazil (80%) and India (75%) were among other major aviation markets also making strides to close the gap with 2019 passenger levels in the first half of 2022.*
- *Global passenger traffic in the year 2022 is expected to be 6.8 billion, representing a loss of 33.1% compared to the projected baseline, which is 74.4% of 2019 traffic.*
- *Full recovery to 2019 levels at the global level is forecast for 2024.*

5.2.8 International Air Transport Association (IATA)

IATA in its report on January 9, 2023 had announced the air travel recovery continued through November 2022:

- *Total traffic in November 2022 (measured in revenue passenger kilometers or RPKs) rose 41.3% compared to November 2021. Globally, traffic is now at 75.3% of November 2019 Levels.*
- *International traffic rose 85.2% versus November 2021. The Asia-Pacific continued to report the strongest year-over-year results with all regions showing improvement compared to the prior year. November 2022 international RPKs reached 73.7% of November 2019 Levels.*
- *Domestic traffic for November 2022 was up 3.4% compared to November 2021 with travel restrictions in China continuing to dampen the global result. Total November 2022 domestic traffic was at 77.7% of the November 2019 Level.*

Conclusion on traffic forecasts based on the above assumptions

5.2.9 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority had taken into consideration the forecast/data published by ACI and IATA cited in para 5.2.7 and 5.2.8 above for arriving at the revised traffic projections.

5.2.10 In the Authority's opinion, with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry was expected to recover at a better pace in the next few years.

5.2.11 The Authority noted that international passenger traffic at Srinagar Airport is insignificant (8,678 pax in FY 2021-22) and AAI had proposed 'nil' international passenger and ATM traffic from FY 2022-23 to FY 2025-26. The Authority observed that international traffic had been projected as 'nil' by AAI due to stoppage of the Haj movements on account of COVID-19 pandemic, which may vary year on year.

5.2.12 The Authority had considered the actual traffic as per the AAI's website, for the FY 2021-22 and FY 2022-23 for deriving traffic forecast for the Third Control Period. The Authority noted that AAI had projected the growth rate of 10% for domestic passenger traffic and 8% for domestic ATM for the FY 2023-24 to FY 2025-26 in its MYTP, which was also in line with the 3-year CAGR, as there had been a growing trend in the passenger traffic and ATM in the recent past at Srinagar Airport. Based on the above factors, the Authority proposed to consider 12% Y-o-Y



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increase in domestic and international passenger traffic and ATM for FY 2023-24 to FY 2025-26.

5.2.13 The traffic growth rates and the corresponding traffic for passengers and ATM as proposed by the Authority for the Third Control Period had been given in the table below:

Table 30: Traffic proposed to be considered by the Authority for the Third Control Period at Consultation Stage

Domestic Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
As submitted by Srinagar Airport	31.50	34.27	37.69	41.46	44.37	189.29
As proposed by the Authority	31.50	43.98	49.26	55.17	61.79	241.70
Y-o-Y growth of Domestic PAX submitted by Srinagar Airport	-	9%	10%	10%	7%	
Y-o-Y growth of Domestic PAX proposed by the Authority	-	40%	12%	12%	12%	
International Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
As submitted by Srinagar Airport	0.09	0.00	0.00	0.00	0.00	0.09
As proposed by the Authority	0.09	0.12	0.13	0.15	0.16	0.64
Y-o-Y growth of International PAX submitted by Srinagar Airport	-	0%	0%	0%	0%	
Y-o-Y growth of International PAX proposed by the Authority	-	33%	12%	12%	12%	
Total passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total as per Srinagar Airport's submission	31.59	34.27	37.69	41.46	44.37	189.37
Total (Domestic and International) proposed by the Authority	31.59	44.10	49.39	55.31	61.95	242.34
Y-o-Y growth of total PAX submitted by Srinagar Airport	-	8%	10%	10%	7%	
Y-o-Y growth of total PAX proposed by the Authority	-	40%	12%	12%	12%	
Domestic ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Domestic ATM submitted by Srinagar Airport	24.37	24.67	26.64	28.77	30.50	134.95
Domestic ATM proposed by the Authority	24.37	29.82	33.40	37.40	41.89	166.87
Y-o-Y growth of Domestic ATM submitted by Srinagar Airport	-	1%	8%	8%	6%	
Y-o-Y growth of Domestic ATM proposed by the Authority	-	22%	12%	12%	12%	
International ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total



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International ATM submitted by Srinagar Airport	0.08	0	0	0	0	0.08
International ATM proposed by the Authority	0.08	0.15	0.17	0.19	0.22	0.82
Y-o-Y growth of International ATM submitted by Srinagar Airport	-	0%	0%	0%	0%	
Y-o-Y growth of International ATM proposed by the Authority	-	88%	12%	12%	12%	
Total ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total ATM (Domestic and International) as per Srinagar Airport's submission	24.44	24.67	26.64	28.77	30.50	135.02
Total ATM (Domestic and International) proposed by the Authority	24.44	29.97	33.57	37.60	42.11	167.69
Y-o-Y growth of total ATM submitted by Srinagar Airport	-	1%	8%	8%	6%	
Y-o-Y growth of total ATM proposed by the Authority	-	23%	12%	12%	12%	

Note: Actual passenger and ATM data has been considered for FY 2021-22 and FY 2022-23.

5.2.14 The Authority proposed to true up the traffic as per actual growth achieved during the Third Control Period at the time of determination of tariff for the Fourth Control Period.

5.3 Stakeholders' comments on traffic forecasts for the Third Control Period

5.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to Traffic Forecast for the Third Control Period. The comments by stakeholders are presented below:

AAI's comments on traffic forecasts for the Third Control Period

5.3.2 AAI has commented the following:

Para 4.2.4, 4.2.5, 4.2.6 & 4.2.7 of CP

- AAI's projection for Pox and ATM for the F.Y. 2020-21 is almost near to actuals.
- The comparative growth of domestic and international traffic has been tabulated as under: -

	AAI	AERA	AAI	AERA	AAI	AERA	AAI	AERA
	Domestic		International		Total			
Year	PAX (in Lacs)		PAX (in Lacs)		PAX (in Lacs)		% Growth	
2021-22	31.5	31.5	0.09	0.09	31.59	31.59		
2022-23	34.27	43.98	0.00	0.12	34.27	44.1	8%	40%
2023-24	37.69	49.26	0.00	0.13	37.69	49.39	10%	12%
2024-25	41.46	55.17	0.00	0.15	41.46	55.32	10%	12%
2025-26	44.37	61.79	0.00	0.16	44.37	61.95	7%	12%

Similarly, the comparative chart for ATM is as under: -



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	AAI	AERA	AAI	AERA	AAI	AERA	AAI	AERA
	Domestic		International		Total			
Year	ATM (in Thousand)		ATM (in Thousand)		ATM (in Thousand)		%Growth	
2021-22	24.37	24.37	0.08	0.08	24.45	24.45		
2022-23	24.67	29.82	0	0.15	24.67	29.97	1%	23%
2023-24	26.64	33.4	0	0.17	26.64	33.57	8%	12%
2024-25	28.77	37.4	0	0.19	28.77	37.59	8%	12%
2025-26	30.5	41.89	0	0.22	30.5	42.11	6%	12%

- AAI has projected 18.38 (Million Passenger) in TCP and 135.4 Thousand Aircraft movement whereas AERA has projected 24.2 (million Passenger) and 167.7 Thousand Aircraft movement for the entire TCP. Mainly AERA has projected 5.2 (million) more Domestic passenger.
- Srinagar Airport has achieved approx. 3.15 Million Pax and 24.5 Thousand Aircrafts Movements for the F.Y. 2021-22 which is in line with AAERA projections. However, going forward the projections of AERA are on the higher side due to the following reasons:
 - I. Srinagar airport will not be able to handle 6.2MPPA as projected by AERA as the present capacity of TB is 2.5 MPPA and secondly there is limited apron and limited movement due to Srinagar Airport being a Civil Enclave and limited watch hours.
 - II. In addition, the ATM movement is restricted by IAF to 04 Arrivals and 04 Departures per hour. Further, it is a hyper-sensitive airport, which restricts passenger throughput.
 - III. The capacity of terminal building is limited and may not be able to cater to the traffic proposed by AERA.
 - IV. Govt. has already announced Rail connectivity from Jammu to Srinagar by end of the year, Passenger will have the option to reach Srinagar by train and it will also impact on growth of PAX & ATM.

It is requested that the revised projections submitted by AAI for the F.Y. 2022-23 to 2025-26 may be considered.

Other Stakeholders' comments on traffic forecasts for the Third Control Period

5.3.3 FIA has commented the following:

Para 5.2.9 of CP

"While we appreciate that AERA has considered the traffic forecast data report published by ACI and IATA (refer para 5.2.7 and 5.9.8), we request AERA to kindly conduct an independent study, which may also include demand drivers that may not have been part of report issued by IATA and ACI India.

We would also like to draw the attention of the Authority, that the trends in the recent post pandemic times may not be a reasonable benchmark, whether be it of passengers or traffic, as economic factors such as inflation or market demand / prices may not continue in the same rate or trend in the future, since the recent post pandemic trends are due to unusual factors such as the geo-political causes, recent financial meltdown of banks in the USA, etc. however there have been certain increase in the load factors, post recovery of COVID-19 period.

Hence, we request that Authority may kindly take the same into consideration and appoint independent consultants to evaluate the same while finalising the projected Annual Traffic Movement and passengers."



5.4 AAI's responses to other stakeholders' comments on traffic forecasts for the Third Control Period

5.4.1 AAI has responded to FIA's comments as under:

"Srinagar Airport is catering majorly domestic traffic and only 5% of the total traffic is International Traffic.

- *AAI has projected 18.38 (Million Passenger) in TGP and 135.4 Thousand Aircraft movement whereas AERA has projected 24.2 (million Passenger) and 167.7 Thousand Aircraft movement for the entire TCP. Mainly AERA has projected 5.2 (million) more Domestic passenger.*
- *Srinagar Airport has achieved approx. 3.15 Million Pax and 24.5 Thousand Aircrafts Movements for the F.Y. 2021-22 which is in line with AERA projections. However, going forward the projections of AERA are on the higher side due to the following reasons:*
 - i. *Srinagar airport will not be able to handle 6.2MPPA as projected by AERA as the present capacity of TB is 2.5 MPPA and secondly there is limited apron and limited movement due to Srinagar Airport being a Civil Enclave and limited watch hours.*
 - ii. *In addition, the ATM movement is restricted by LAF to 04 Arrivals and 04 Departures per hour. Further, it is a hyper-sensitive airport, which restricts passenger throughput.*
 - iii. *The capacity of terminal building is limited and may not be able to cater to the traffic proposed by AERA.*
 - iv. *Govt. has already announced Rail connectivity from Jammu to Srinagar by end of the year. Passenger will have the option to reach Srinagar by train and it will also impact on growth of PAX & ATM.*

AERA is requested to review the traffic projection issued in the consultation paper due to reason stated above."

5.5 Authority's analysis on Stakeholders' comments regarding traffic forecasts for the Third Control Period

5.5.1 The Authority has noted AAI's comments and would like to state the following:

- i. The Authority had noted an increasing trend in the growth in passenger traffic in the recent years, which had crossed 4 MPPA in FY 2022-23.
- ii. However, the Authority upon taking cognizance of the restrictive timings of the Srinagar Airport, (being a Civil Enclave Airport), the proposed railway connectivity, and the recent trends in the passenger traffic growth for the period from April 2023 to July 2023 (which has shown some downward trend), has decided to consider the actual passenger traffic and ATM of FY 2022-23 for FY 2023-24 and thereafter consider 12% Y-o-Y traffic growth, based on the traffic of FY 2023-24 for the remaining tariff years in the Third Control Period of Srinagar International Airport.

5.5.2 The Authority has examined the comments from FIA on conducting an independent study on the traffic projections in accordance with the AERA Act. The requirement for an independent study on traffic projections depends upon the size, scale and complexity of operations at the Airport.

Further, the Authority has examined the actual passenger growth in the initial tariff years (FY 2021-22, FY 2022-23) and also the recent trends in passenger traffic (YTD July 2023) and has accordingly projected traffic for the remaining tariff years in the Third Control Period.

However, traffic projections for the Third control period will be tried up, based on actuals, while



determining tariff for the Fourth Control Period.

5.5.3 Based on the above factors, the Authority has determined the Traffic Forecasts, which it decides to consider for determination of tariff for the Third Control Period for Srinagar International Airport, which is as follows:

Table 31: Traffic decided by the Authority for the Third Control Period

Domestic Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
As submitted by Srinagar Airport	31.50	34.27	37.69	41.46	44.37	189.29
As decided by the Authority	31.50	43.98	43.98	49.26	55.17	223.89
Y-o-Y growth of Domestic PAX submitted by Srinagar Airport	-	9%	10%	10%	7%	
Y-o-Y growth of Domestic PAX decided by the Authority	-	40%	0%	12%	12%	
International Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
As submitted by Srinagar Airport	0.09	0.00	0.00	0.00	0.00	0.09
As decided by the Authority	0.09	0.12	0.12	0.13	0.15	0.59
Y-o-Y growth of International PAX submitted by Srinagar Airport	-	0%	0%	0%	0%	
Y-o-Y growth of International PAX decided by the Authority	-	33%	0%	12%	12%	
Total passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total as per Srinagar Airport's submission	31.59	34.27	37.69	41.46	44.37	189.37
Total (Domestic and International) decided by the Authority	31.59	44.10	44.10	49.39	55.31	224.48
Y-o-Y growth of total PAX submitted by Srinagar Airport	-	8%	10%	10%	7%	
Y-o-Y growth of total PAX decided by the Authority	-	40%	0%	12%	12%	
Domestic ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Domestic ATM submitted by Srinagar Airport	24.37	24.67	26.64	28.77	30.50	134.95
Domestic ATM decided by the Authority	24.37	29.82	29.82	33.40	37.40	154.80
Y-o-Y growth of Domestic ATM submitted by Srinagar Airport	-	1%	8%	8%	6%	
Y-o-Y growth of Domestic ATM decided by the Authority	-	22%	0%	12%	12%	
International ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total



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International ATM submitted by Srinagar Airport	0.08	0	0	0	0	0.08
International ATM decided by the Authority	0.08	0.16	0.16	0.17	0.19	0.75
Y-o-Y growth of International ATM submitted by Srinagar Airport	-	0%	0%	0%	0%	
Y-o-Y growth of International ATM decided by the Authority	-	88%	0%	12%	12%	
Total ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total ATM (Domestic and International) as per Srinagar Airport's submission	24.44	24.67	26.64	28.77	30.50	135.02
Total ATM (Domestic and International) decided by the Authority	24.44	29.97	29.97	33.57	37.60	155.55
Y-o-Y growth of total ATM submitted by Srinagar Airport	-	1%	8%	8%	6%	
Y-o-Y growth of total ATM decided by the Authority	-	23%	0%	12%	12%	

Note: Actual passenger and ATM data has been considered for FY 2021-22 and FY 2022-23.

5.6 Authority's decisions regarding Traffic for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to traffic forecast for the Third Control Period:

- 5.6.1 To consider the ATM and passenger traffic for the Third Control Period for Srinagar Airport as per Table 31.
- 5.6.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariff for the Fourth Control Period.

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6 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

6.1 Background

6.1.1 The Authority had presented its analysis on this chapter in the following order:

- Allocation of Gross block of assets into Aeronautical and Non-aeronautical.
- Capital expenditure proposed for Third Control Period
- Depreciation for the Third Control Period
- Regulatory Asset Base for the Third Control Period

6.2 Allocation of Gross block of assets into Aeronautical and Non-aeronautical

6.2.1 AAI had submitted for Srinagar International Airport the following allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical services:

Table 32: Allocation of opening gross block of assets for April 1, 2021, between Aeronautical and Non-aeronautical as per AAI

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non- Aero Assets	Pure Aero- nautical Assets	Common Assets	Common Assets		Total Aeronauti- cal Assets	%
						Aero	Non- Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land freehold	0.00	-	-	0.00	-	-	-	0.00	100%
Runway, Taxi Way & Apron	31.60	-	-	31.60	-	-	-	31.60	100%
Road, Bridge & Culverts.	0.72	-	-	0.72	-	-	-	0.72	100%
Terminal Building	85.09	-	5.37	10.33	69.39	62.45	6.94	72.77	86%
Buildings - Temporary	2.60	-	0.05	2.55	-	-	-	2.55	98%
Buildings - Residential	4.45	-	-	1.19	3.25	3.15	0.10	4.35	98%
Security Fencing	3.25	-	-	3.25	-	-	-	3.25	100%
Buildings - Others	1.58	-	0.07	1.51	-	-	-	1.51	96%
Computers & Peripherals	1.57	-	-	1.57	-	-	-	1.57	100%
Computer Software	0.15	-	-	0.15	-	-	-	0.15	100%
Machinery	33.01	2.43	-	29.17	1.40	1.29	0.11	30.46	92%
Tools & Equipment	5.34	-	-	5.34	-	-	-	5.34	100%
Office Furniture	2.28	-	-	2.28	-	-	-	2.28	100%
Vehicles	1.31	-	-	1.25	0.06	0.05	0.01	1.30	99%
Electrical Installations	40.33	-	0.33	37.96	2.04	1.84	0.20	39.80	99%
Office Equipment	2.58	0.00	-	2.52	0.06	0.06	-	2.58	100%
Furniture & Fixtures-Freehold-Operational Area	2.08	-	-	2.04	0.04	0.04	-	2.08	100%
Furniture & Fixtures – Trolleys	0.34	-	-	0.34	-	-	-	0.34	100%
X-Ray Equipment	15.39	-	-	15.39	-	-	-	15.39	100%
CFT & Firefighting equipment	0.03	-	-	0.03	-	-	-	0.03	100%
Total	233.69	2.44	5.82	149.19	76.25	68.89	7.36	218.07	93%



Authority's examination of allocation of Gross block of assets into Aeronautical and Non- aeronautical at Consultation stage

- 6.2.2 The Authority noted that the common assets within the Terminal Building had been apportioned to Aeronautical and Non-aeronautical activities by AAI for Srinagar International Airport in the Terminal Building ratio of 90%:10% (which was approved by the Authority in the Order No. 14/ 2017-18 dated October 30, 2017) for the Second Control Period. Therefore, the Authority had proposed to consider the basis followed by AAI for allocation of assets for Srinagar Airport.
- 6.2.3 As mentioned under para 4.4.7 (under True up of Capital Expenditure), the Authority had not allowed Financing allowance of ₹ 0.61 Crores, capitalized by Srinagar Airport during the Second Control Period. Therefore, the above Financing allowance which had not been allowed by the Authority had been adjusted against the respective assets such as Apron, Terminal Building and Plant and Machinery and the same had been provided in Table 33 below.
- 6.2.4 Based on the above observations, the Authority had presented the allocation of Gross Block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical as per table below:

Table 33: Allocation of Opening Gross Block of Assets as on April 1, 2021 between Aeronautical and Non-aeronautical proposed by the Authority at Consultation stage

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	% Aeronautical
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land freehold	0.00	-	0.00	-	-	-	-	0.00	100%
Runway, Taxi Way & Apron	31.60	-	31.60	-	-	-	-	31.60	100%
Road, Bridge & Culverts.	0.72	-	0.72	-	-	-	-	0.72	100%
Terminal Building	85.09	5.37	10.33	69.39	62.45	6.94	72.78	86%	
Buildings - Temporary	2.60	0.05	2.55	-	-	-	2.55	98%	
Buildings - Residential	4.44	-	1.19	3.25	3.15	0.10	4.34	98%	
Security Fencing	3.25	-	3.25	-	-	-	3.25	100%	
Buildings - Others	1.53	0.06	1.47	-	-	-	1.47	96%	
Computers & Peripherals	1.57	-	1.57	-	-	-	1.57	100%	
Computer Software	0.15	-	0.15	-	-	-	0.15	100%	
Machinery	32.45	2.43	28.62	1.40	1.29	0.11	29.90	92%	
Tools & Equipment	5.34	-	5.34	-	-	-	5.34	100%	
Office Furniture	2.28	-	2.28	-	-	-	2.28	100%	
Vehicles	1.31	-	1.25	0.06	0.05	0.01	1.30	99%	
Electrical Installations	40.33	0.33	37.96	2.04	1.84	0.20	39.80	99%	
Office Equipment	2.58	0.00	2.52	0.06	0.06	-	2.58	100%	
Furniture & Fixtures-Freehold-Operational Area	2.08	-	2.04	0.04	0.04	-	2.08	100%	
Furniture & Fixtures – Trolleys	0.34	-	0.34	-	-	-	0.34	100%	
X-Ray Equipment	15.39	-	15.39	-	-	-	15.39	100%	
CFT & Firefighting equipment	0.03	-	0.03	-	-	-	0.03	100%	



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	%
						Aero	Non-Aero		Aeronautical
Total	233.08	2.44	5.82	148.58	76.24	68.88	7.36	217.46	93%

6.2.5 The total Gross block of Aeronautical assets, as on April 1, 2021 is ₹ 217.46 crores.

AAI's submission of Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period

6.3 Capital expenditure for the Third Control Period

6.3.1 AAI had proposed capital expenditure of ₹ 235.60 Crores for the Third Control Period for Srinagar International Airport, which has been summarized in the table below:

Table 34: Summary of Capital Expenditure projects submitted by AAI for Srinagar International Airport for Third Control Period

(₹ Crores)

Project/ Group	No.	Particulars	Amount
Capital expenditure proposed for the Third Control Period	1	Taxiways & Aprons	62.04
	2	Other Building	106.91
	3	Plant & Machinery	0.01
	4	Tools & Equipment	35.75
	5	Furniture & Fixtures	0.89
	6	Vehicles	0.12
	7	Electrical Installations	4.60
	8	Office Appliances	0.46
	9	XBIS	3.52
		Capital expenditure proposed for the Third Control Period	214.31
IDC			12.78
Financing allowance (FA)			8.51
Total (including FA)			235.60

Authority's examination of Capital Expenditure (CAPEX) for the Third Control Period at Consultation stage

6.3.2 The Authority while analyzing the Aeronautical Expenditure proposed by AAI for the Third Control Period, had appropriately rationalized the proposed CAPEX taking into cognizance of the essentiality and necessity of the CAPEX which was absolutely required for the smooth operation of the Airport as



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

explained in the following paragraphs.

6.3.3 The Authority noted that AAI has not conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure proposed to be undertaken at Srinagar International Airport for the Third Control Period. The Authority expects AAI to conduct AUCC meeting, by inviting inputs from all the stakeholders for any major CAPEX undertaken at the Airport and its likely impact on Airport charges, in accordance with the AERA Guidelines, 2011.

6.3.4 The capital additions stated had been explained project-wise in the table below:

Table 35: Project wise Capital Expenditure submitted by AAI for Srinagar International Airport for Third Control Period

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total CAPEX (incl. FA)
A. Capital expenditure proposed for the Third Control Period					
A1.	Taxiways & Apron				
	Dismantling and re-construction of existing Taxi way D & D1 portions parallel to cross drainage at Srinagar International Airport	2022-23	0.43	-	0.43
	Expansion of existing Apron & associated works	2024-25	61.61	2.94	64.55
	IDC		4.41		4.41
A2.	Other Building				
	Provision of Tactile flooring and Miscellaneous allied Civil works for visually impaired DIVYANG JAN at Srinagar International Airport, Srinagar	2021-22	0.09	-	0.09
	Misc Civil works at Srinagar Airport. SH: Provision of toilet block, septic tank and associated civil works at half long and at CRPF barracks	2021-22	0.15	-	0.15
	Construction Of CISF Barracks at BSF Campus, Srinagar	2024-25	44.38	2.23	46.61
	IDC		3.35	-	3.35
	Densification of AAI Residential Colony	2024-25	62.29	2.91	65.20
	IDC		4.37	-	4.37
A3	Plant & Machinery				
	Electronic Stethoscope (qty-1)	2025-26	0.01	-	0.01
A4	Tools & Equipment				
	5 no of ETD-M S TECH- (124ETD)	2021-22	0.54	-	0.54
	Body Scanner (Qty-4)	2022-23	23.10	-	23.10
	SBD (Qty-2)	2022-23	0.80	-	0.80
	NLJD (Qty-1)	2022-23	0.04	-	0.04
	LED (Qty-1)	2022-23	0.50	-	0.50
	HHMD	2022-26	0.17	-	0.17



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S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total CAPEX (incl. FA)
	WALKIE TALKIE	2022-26	0.23	-	0.23
	Digital EPABX (1)	2022-23	0.10	-	0.10
	Threat Containment Vessel (TCV) (Qty-1)	2023-24	10.00	-	10.00
	EVD (Qty-1)	2025-26	0.16	-	0.16
	FOSD (Qty-1)	2025-26	0.11	-	0.11
	IDC		0.65	-	0.65
A5	Furniture & Fixtures				
	P/o Ultra Violet Germicidal Irradiation (UVGI) Sri TB	2021-22	0.21	-	0.21
	AIRPORT TERMINAL CHAIRS-102 CHAIR	2021-22	0.68	-	0.68
A6	Vehicles				
	BDDS VEHICLE FOR VSI AIRPORT-1 NO TRF TO SRINAGAR FROM PORTBLAIR	2021-22	0.12	-	0.12
A7	Electrical Installations				
	DFMD (QTY-7)	2021-22	0.12	-	0.12
	R/o Existing Taxiway & Apron Edge Light with LED	2021-22	0.14	-	0.14
	6 Nos Hamam Tank for CISF at BSF Barrack	2021-22	0.01	-	0.01
	Replacement of conventional light of Apron High Masts & faulty lights of terminal building with LED lights at Srinagar Airport	2022-23	0.70	-	0.70
	Provision of Electrostatic air filters etc in AHUs as COVID-19 protective measures at Srinagar Int'l Airport, Srinagar	2022-23	1.30	-	1.30
	Replacement of existing Chillers with Reversible Chillers (Chillers with Heat Pump) & associated works at Srinagar Airport	2023-24	2.00	-	2.00
	Entertainment TV	2025-26	0.33	-	0.33
A8	Office Appliances				
	Digital photocopy	2021-25	0.12	-	0.12
	Computer & UPS-5	2022-26	0.29	-	0.29
	Printers (MFP)	2022-26	0.04	-	0.04
	Scanners	2022-26	0.02	-	0.02
A9	XBIS				
	XBIS (7 nos RB and 4 nos HB)	2022-23	3.52	-	3.52
Capital expenditure proposed for the Third Control Period			227.09	8.51	235.60

6.3.5 The Authority had examined the CAPEX projects submitted by AAI, which is as follows:

A1 - Taxiways & Apron - Expansion of existing Apron

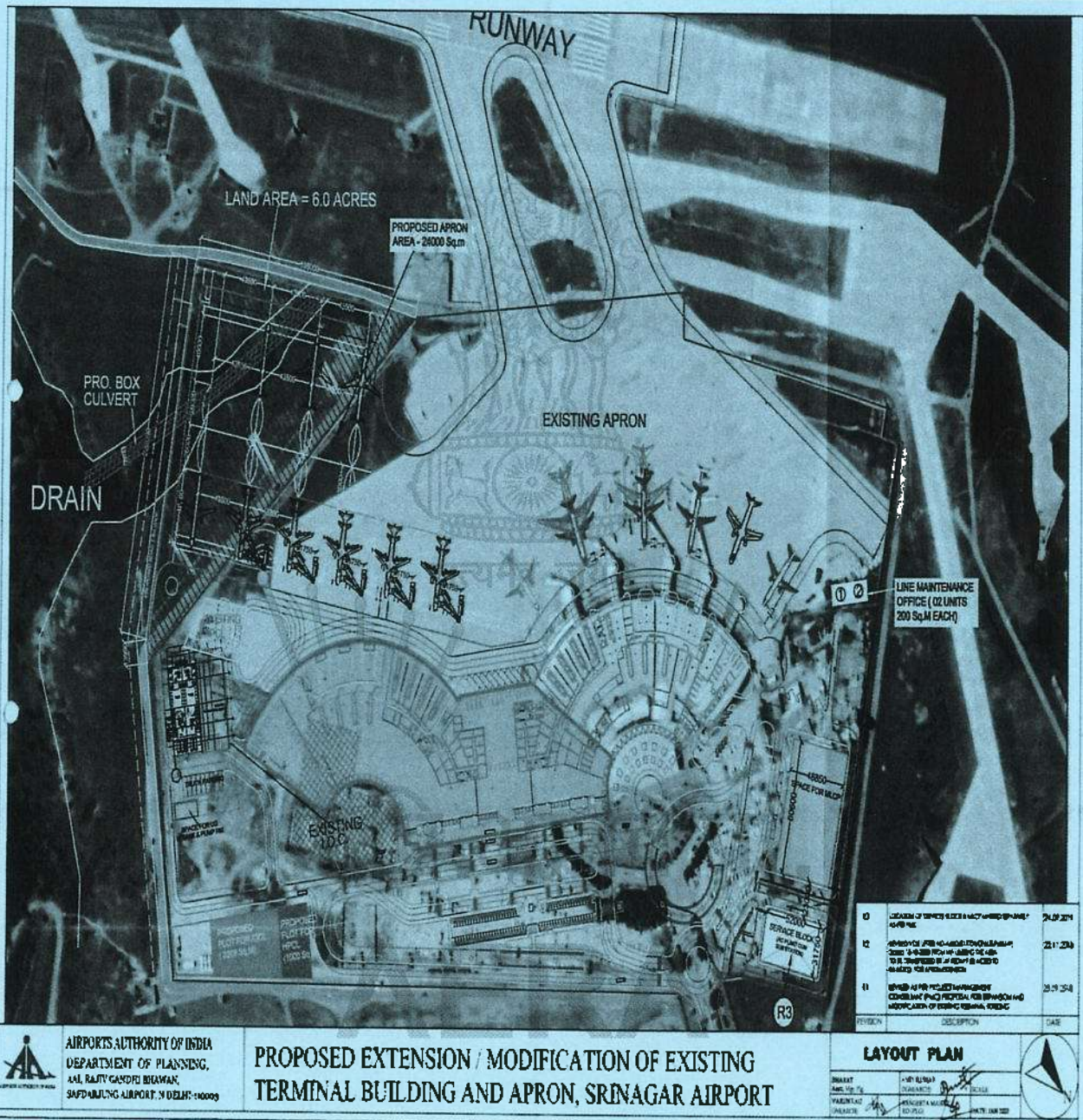
AAI had proposed expansion of existing Apron at Srinagar International Airport for ₹ 68.95 crores



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

including FA and IDC) for capitalization in FY 2024-25.

i. The layout map of the projected work, submitted by AAI is as follows:



AIRPORTS AUTHORITY OF INDIA
DEPARTMENT OF PLANNING,
AAI, RAJIV GANDHI BHAWAN,
SAFED ABUNG AIRPORT, NEW DELHI - 110009

**PROPOSED EXTENSION / MODIFICATION OF EXISTING
TERMINAL BUILDING AND APRON, SRINAGAR AIRPORT**

LAYOUT PLAN

PROJECT: SRINAGAR AIRPORT
SCALE: 1:1000
DATE: 24.09.2024

ii. The existing Apron has 9 bays for parking 02 Code E, 02 Code D and 05 Code C aircraft. Two link taxi tracks connecting the Runway to the Apron are available. AAI had proposed for the extension of Apron for parking 6 numbers AB 321-200 type of aircraft in Power-in-Push-back configuration and to commission it by FY 2024-25. The area of Apron planned for extension is 24,000 sqm, for which 6 acres of land is required from Indian Air Force (IAF). The Authority noted that handing over of land from IAF is still awaited and the Administrative Approval and



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Expenditure Sanction (A/A & E/S) for this project is under process.

iii. The Authority examined the justification for initiating the above project in this Control Period and is of the view that adding parking bays at the airport is an essential requirement due to the following factors:

- Traffic at Srinagar Airport had been growing in the recent past, primarily due to the unprecedented growth in tourism and travel.
- There is a proposal to procure more aircrafts in India (as reported in the recent public news) and for parking of these aircrafts, the parking bays at the airports have to be designated.

Based on these factors, the Authority felt that adding additional parking bays at Srinagar Airport was justified.

iv. Further, the Authority noted that AAI had submitted a detailed cost estimate for this project enumerating Civil works such as Pavement, a Box Culvert of 250 m, Boundary wall of 430m, Electrical and other miscellaneous works including shifting of IAF Road. The Authority had examined the reasonableness of the cost of the above-mentioned works based on the Normative Guidelines issued by the Authority and the same had been explained in the following paragraphs:

v. The Authority had computed the WPI adjusted normative rates for pavements, which was as follows:

Table 36: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Apron at Consultation stage

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
WPI*	111.6	114.9	119.8	121.8	123.4		-	-	-	
Inflation **						7.14% [#]	9.60%	2.90%	2.90%	2.90%
Rate per Sq.m. (in ₹)	4,700	4,839	5,045	5,130	5,197	5,568	6,102	6,279	6,461	6,649
Rate per Sqm incl. GST @ 6% (refer Note below)										7,048

* Source: Office of The Economic Adviser, Government of India (<https://eaindustry.nic.in>)

** Source: Reserve Bank of India Publications (<https://www.rbi.org.in/Scripts/Publications>)

[#] Instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18, 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority has considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%

Note: In the Order No.7/2016-17 dated June 13, 2016 on "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports- Capital costs Regarding", the ceiling cost mentioned is inclusive of taxes applicable at that time, which is 12%. Subsequently, GST has been introduced wherein the GST rate is 18%. Hence, on the inflation adjusted normative cost worked out above, differential tax @ 6% will be paid extra.

vi. The Authority had computed the allowable costs of this project, based on the normative rates,



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which was as follows:

Table 37: Cost of Apron works proposed by Authority for the Third Control Period at Consultation stage

(₹ Crores)

Work	Cost submitted by AAI	Cost based on Normative Approach	Cost considered by Authority
i. Pavements			
• Civil Works	20.3	17.76**	17.76
• Earthwork & Miscellaneous work*	9.97	-	9.97
Sub Total (i)	30.27		27.73
ii. Other costs			
Box Culvert	28.04***		13.10
Boundary Wall	1.14		1.14
AVDGS and Signages	2.15		2.15
Sub Total (ii)	31.33		16.39
Total	61.60		44.12

* Earthwork & Miscellaneous – It includes Earthwork in cutting, Earth disposed, Earth filling, dismantling of existing pavements, dismantling of boundary wall and shifting/ construction of LAF road.

** Srinagar International Airport being a Hard Station Airport, the Authority considers to allow 5% over and above the Normative Cost.

*** Calculation errors were noted in AAI's MYTP submission, which were later on rectified by AAI.

Based on the above, the Authority had proposed capitalization of the project on Expansion of Apron in the FY 2025-26 for ₹ 44.12 Crores.

A2 – Other Building

i. Construction of CISF Barracks at BSF Campus

The Authority noted that CISF had been deployed at Srinagar Airport on February 26, 2020, as the same is a hypersensitive airport due to its strategic location. Earlier, Security was handled by CRPF who had their own accommodation. On account of land constraints within the airport and nearby areas, a suitable location could not be identified for accommodation of CISF personnel. On the advice of the Ministry of Home Affairs, BSF had given "No Objection" to construct RCC structured infrastructure in 5 acres of land belonging to BSF, as an interim measure. AAI had requested for handing over the ownership or long-term lease of the land for 40 years, considering its plan for permanent structure and the same was yet to be settled.

The Authority observed that, in anticipation of the availability of land for the CISF infrastructure, AAI had prepared the Conceptual Plan, Scope of Work and estimate amounting to ₹ 48.44 cr. The A/A & E/S (AAI/CHQ/Engg(C)/Srinagar/CISF Barracks) had been granted on December 6, 2022 for initiating



this project. As per the Scope of Work (under A/A & E/S), the following works had been included:

- Construction of 3 Barracks for Gents (G+2) to house 640 males with the dining hall and kitchen
- 1 barrack for ladies to house 80 females with dining hall and kitchen
- GO Hostel block (G+2) for senior officers
- Dog kennel for eight dogs
- ESS Block
- Sewage treatment plant and
- Quarter Guard

The Authority also noted that, as per the information provided by AAI, in the meeting chaired by Chairman AAI on September 6, 2022 it was decided to prepare an additional concept of Passenger Terminal Building (PTB), including densification of AAI Colony and construction of CISF Barracks. The constitution of the new PTB was expected to start only in FY 2024-25. Further, as informed by AAI vide email dated April 17, 2023, the land was yet to be handed over by BSF to AAI. Based on the above factors and considering the hypersensitive nature of the Airport, in the background of safety and security of operations, the Authority proposed to consider the above CAPEX on actual incurrence basis, if incurred in this Control Period, at the time of true up of the Third Control Period, while determining tariff for the Fourth Control Period for Srinagar International Airport, subject to reasonableness and efficiency.

ii. Densification of Residential Colony

The Authority noted that AAI had proposed this project for ₹ 62.29 crores for capitalisation in the FY 2024-25. The Authority noted that there is a small residential colony of 6.45 acres and for better utilisation of this land, AAI had decided to go for multistorey blocks and has prepared a concept plan to construct following quarters:

- Type A - One Block (G+2) for 12 units.
- Type B - Two Blocks (G+4) for 40 units.
- Type C - One Block (G+4) for 20 units.
- Type D - One Block (G+1) for 8 units.
- Medical centre and Retiring Room Block (G+1).

However, the Authority noted that in the meeting chaired by Chairman, AAI on September 6, 2022, it was decided to prepare an additional concept of Passenger Terminal Building including densification of AAI Colony and CISF Barracks.

The Authority also noted that the land/ location was yet to be finalized and the A/A & E/S has not yet been granted. Further, as informed by AAI vide email dated April 17, 2023 the above-mentioned project on densification of AAI Colony was proposed to be undertaken along with the project on expansion of Terminal Building. Considering the complex nature and the current status of this project, the Authority proposed to consider the CAPEX for this project, on actual incurrence basis, if incurred in this Control Period, at the time of true up of the Third Control Period, while determining tariff for the Fourth Control Period for Srinagar International Airport, subject to reasonableness and efficiency.

A4 – Tools and Equipment

The Authority noted that AAI had proposed ₹ 35.75 Crores for Tools and Equipment which included Procurement of Body Scanner (7 Nos.), Self-Bag Drop (2 Nos.), Threat Containment Vehicle (1 No.),



Non-Liner Junction Detector (1 No.), Liquid Explosive Detector (1 No.), Explosive vapor detector (1 No.), Fiber Optic Surveillance Device (1 No.) and SCCTV. As these assets are needed for operational requirements or for security purposes, the Authority considered the same to be reasonable. However, based on the current status of the project, the Authority has shifted procurement of those items that were projected for capitalization by AAI in FY 2022-23 to the FY 2023-24. Further, the Authority has provided its views on the following major items of Tools and Equipment:

i. Body Scanners

The Authority noted that as per BCAS guidelines, all hypersensitive airports are required to install Body Scanners and Srinagar airport falls under the above category of airports. However, the Authority noted that the Body Scanner is a relatively new technology and still in its nascent stage. Therefore, the Authority felt that the same can be implemented in a phased manner. Further, the Authority noted that there is a plan to commence construction of a new Passenger Terminal Building in the FY 2024-25.

The Authority further noted that AAI had projected ₹ 23.10 Crores for 7 number of Body scanners and had proposed to capitalize it in FY 2022-23. However, as per the current status (as on May 2023) no work order has been issued by AAI, whereby there is no estimate available for ascertaining the cost of procurement of Body scanners. As currently, no justification has been provided by AAI for the requirement of 7 body scanners, the Authority in the instant case had rationalized it to 3 Nos. of body scanners. In view of the above, the Authority proposed to consider capitalization of three (3) Body Scanners in the current Control Period at a total cost of ₹ 9 crores (in line with the cost considered by the Authority for other similar airports) in the FY 2023- 24.

ii. Threat Containment Vessel

As per BCAS circular, AVSEC Circular No. 13/2017, Threat Containment Vessel (TCV) may be procured for the Airports, where Inline Baggage Screening System (ILBS) has been installed. It is noted that at Srinagar Airport, ILBS has been installed. Considering the sensitivity of the Srinagar Airport, the proposal for procurement of TCV at the Airport is justified.

The Authority noted that AAI has projected ₹ 10 Crore for this work and had proposed to capitalize it in FY 2023-24. However, the Authority noted that no Work Order/ Request for quotation had been issued by AAI. Considering the fact that TCV is an integrated line item, the Authority noted that the cost projected for this asset is in line with that incurred by other similar airports and therefore, the Authority proposed to consider capitalization of this asset in FY 2023-24.

A5- Furniture & Fixtures

The Authority noted that AAI had proposed ₹ 0.89 Crores for Furniture & Fixtures which includes Procurement of Ultra Violet Germicidal Irradiation (UVGI) and 102 Airport Terminal chairs. As these assets are needed for operational requirements and have also been procured by AAI in FY 2021-22, the Authority considered the same to be reasonable.

A6- Vehicles

The Authority noted that AAI had proposed ₹ 0.12 Crores for BDDS Vehicle which had to be transferred from Port Blair Airport. As BDDS vehicle was needed for security reasons and had also been capitalized by AAI in its books in FY 2021-22, the Authority considered the same to be reasonable.

A7 - Electrical installations – AAI had proposed ₹ 4.60 Crores towards Electrical Installations and these include:

- a) Procurement of DFMD



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- b) Replacement of existing Taxiway and Apron edge light with LED.
- c) Procurement of Tank for CISF Barracks.
- d) Procurement of FIDS, Passenger Announcement (PA) System, Signage, Entertainment TV
- e) Replacement of Conventional light of Apron High masts and faulty lights of terminal building with LED lights
- f) Provision of Electrostatic air filters in AHU's as a COVID-19 protective measure.
- g) Replacement of Existing chiller plants with reversible chillers and associated works.

The Authority noted that the works on electrical installations mentioned under point (a) to (c) had been completed (amounting to ₹ 0.28 crores) at Srinagar Airport. However, the work stated under points (d) to (g) are under progress. Therefore, the Authority proposed to shift the capitalisation of the same to FY 2023-24.

A8 - Office Appliances:

The Authority noted that AAI had proposed ₹ 0.47 Crores for Office Appliances which includes procurement of digital photocopy, computers, printers, UPS and Scanners. As these assets are needed for operational requirements, the Authority proposed to consider the same. However, the Authority noted that assets of ₹ 0.11 crores proposed by AAI for capitalization in FY 2022-23 have not been procured by AAI for Srinagar International Airport. Therefore, the Authority proposed to shift the capitalization of these assets that are proposed by AAI for FY 2022-23 to FY 2023-24.

A9 - X-Ray:

This included procurement of X-Bis for ₹ 3.52 crores, which had been proposed by AAI for FY 2022-23. The Authority noted that the above CAPEX on X-Ray equipment had been projected to meet the operational requirements at the Airport and therefore, the Authority considered the same to be reasonable. However, the Authority noted that aforementioned asset proposed by AAI for capitalization in FY 2022-23 has not been procured by AAI for Srinagar International Airport. Therefore, the Authority proposed to shift the capitalization of this asset that was proposed by AAI for FY 2022-23 to FY 2023-24.

6.3.6 In the background of the above mentioned facts, the Authority had revised the timelines for completion of the following works, as against that originally proposed by AAI.

Table 38: Revised Timelines decided by the Authority for Capital Expenditure projects of Srinagar International Airport for Third Control Period

S. No	Project Name	Original timeline for completion of work as per AAI	Revised timeline as per AERA	Total CAPEX (₹ crores)
1	Expansion of existing Apron and associated works	FY 2024-25	FY 2025-26	44.12
2	Body Scanner (Qty-4)	FY 2022-23	FY 2023-24	9.00
3	SBD (Qty-2)	FY 2022-23	FY 2023-24	0.80
4	NLJD (Qty-1)	FY 2022-23	FY 2023-24	0.04
5	LED (Qty-1)	FY 2022-23	FY 2023-24	0.50
6	HHMD	FY 2022-26	FY 2023-26	0.17
7	WALKIE TALKIE	FY 2022-26	FY 2023-26	0.23



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

S. No	Project Name	Original timeline for completion of work as per AAI	Revised timeline as per AERA	Total CAPEX (₹ crores)
8	Digital EPABX (1)	FY 2022-23	FY 2023-24	0.10
9	Replacement of conventional light of Apron High Masts & faulty lights of terminal building with LED lights at Srinagar Airport	FY 2022-23	FY 2023-24	0.70
10	Provision of Electrostatic air filters etc in AHUs as COVID-19 protective measures at Srinagar Int'l Airport, Srinagar	FY 2022-23	FY 2023-24	1.30
11	Computer & UPS-5	FY 2022-26	FY 2023-26	0.29
12	Printers (MFP)	FY 2022-26	FY 2023-26	0.04
13	Scanners	FY 2022-26	FY 2023-26	0.02
14	XBIS (7 Nos. RB and 4 Nos. HB)	FY 2022-23	FY 2023-24	3.52
	Total			60.83

- 6.3.7 The Authority noted that Srinagar International Airport had claimed Financing allowance of ₹ 8.51 Crores, out of which ₹ 2.94 Crores had been proposed towards project on Extension of Apron, ₹ 2.23 Crores towards construction of CISF barracks, ₹ 2.91 Crores for densification of residential colony and ₹ 0.43 crores towards Tools and Equipment in the MYTP submitted for the Third Control Period. Further, the Authority noted that Srinagar International Airport has claimed IDC of ₹ 12.78 Crores, out of which ₹ 4.41 Crores had been proposed towards project on Extension of Apron, ₹ 3.35 Crores towards construction of CISF barracks, ₹ 4.37 Crores towards densification of residential colony and ₹ 0.65 crores towards Tools and Equipment. The Authority had examined the AAI's claim towards Financing Allowance and IDC in detail and the views of the Authority in this regard may be referred to in para No. 4.4.7. Accordingly, the Financing allowance has not been allowed. In respect of IDC, the Authority is inclined to allow the same and accordingly, has derived IDC (₹ 3.16 crores), which it proposed to consider, based on the allowable costs of the project on expansion of Apron and Tools and Equipment as explained in para 6.3.5 (A1) and (A4).
- 6.3.8 The Authority had considered the actual CAPEX incurred by AAI for the FY 2021-22 for deriving the allowable CAPEX for Srinagar International Airport for the Third Control Period and the same is shown in Table 39.
- 6.3.9 The Authority noted that AAI had not implemented the project on expansion of Terminal Building for Srinagar International Airport, which was approved for ₹ 257.20 Crores vide Order No. 14/ 2017-18 dated October 30, 2017 for the Second Control Period, out of which AAI had incurred only ₹ 9.56 crores and the work for the balance cost of ₹ 247.64 crores had not been executed by AAI during FY 2020-21 (refer para 4.4.5 (A1)). Keeping in view the delays in the execution of the approved capital projects, the Authority proposed to reduce 1% of the uncanceled project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, while determining tariffs for the next Control Period. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by AAI.
- 6.3.10 The Authority noted that AAI had submitted an average Terminal Building ratio of 93.47%: 6.53% for Srinagar International Airport, for the Third Control Period, based on the actual commercial area let out



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during each tariff year in the Second Control Period (FY 2017 to FY 2021), for apportionment of common assets/ expenses for the current Control Period. Further, the Authority noted that AAI had not applied this ratio for apportionment of common assets in respect of the Capital Expenditure proposed for the Third Control Period, as major CAPEX on expansion of Terminal Building has been shifted to the Fourth Control Period by AAI.

Considering the passenger profile at the Airport, the Authority was of the view that the Terminal Building ratio of 6.53% (Non-aeronautical area to total area) was lesser as compared to the similar airports such as Varanasi, Amritsar, Trichy, Calicut and Raipur. Therefore, the Authority proposed to consider the Terminal Building ratio of 90%:10% (Aeronautical: Non-aeronautical) as reasonable for apportionment of common assets within the Terminal Building and common O&M expenses, in line with the ratio approved by the Authority for Srinagar Airport for the Second Control Period (para 7.10 of Order No. 14/ 2017-18 dated October 30, 2017), optimum Non-aeronautical area allocation of 8%-12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) and that approved for other similar airports for the Second Control Period.

6.3.11 In accordance with above, the Authority proposed the capital expenditure for the Third Control Period as per the table below:

Table 39: Capital Expenditure (Project-wise) proposed by the Authority for Third Control Period at Consultation stage

(₹ Crores)

S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
Capital expenditure proposed for the Third Control Period						
A1.	Runways/ Taxiways & Apron					
	Dismantling and re-construction of existing Taxi way D & D1 portions parallel to cross drainage at Srinagar International Airport	2022-23	2022-23	0.43	0.43	-
	Expansion of existing Apron & associated works	2024-25	2025-26	61.61*	44.12	(17.49)
	IDC			4.41	3.16	(1.25)
A2.	Other Building					
	Provision of Tactile flooring and Miscellaneous allied Civil works for visually impaired DIVYANG JAN at Srinagar International Airport, Srinagar	2021-22	2021-22	0.09	0.09	-
	Misc Civil works at Srinagar Airport. SH: Provision of toilet block, septic tank and associated civil works at half long and at CRPF barracks	2021-22	2021-22	0.15	0.15	-



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S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	Construction Of CISF Barracks at BSF Campus, Srinagar	2024-25	-	44.38	-	(44.38)
	IDC			3.35	-	(3.35)
	Densification of Residential Colony	2023-24	-	62.29	-	(62.29)
	IDC			4.37	-	(4.37)
A3	Plant & Machinery					
	Electronic Stethoscope (qty-1)	2025-26	2025-26	0.01	0.01	-
A4	Tools & Equipment					
	5 no of ETD-M S TECH- (124ETD)	2021-22	2021-22	0.54	0.54	-
	Body Scanner (Qty-4)	2022-23	2023-24	23.10	9.00	(14.10)
	SBD (Qty-2)	2022-23	2023-24	0.80	0.80	-
	NLJD (Qty-1)	2022-23	2023-24	0.04	0.04	-
	LED (Qty-1)	2022-23	2023-24	0.50	0.50	-
	HHMD	2022-26	2023-26	0.17	0.17	-
	WALKIE TALKIE	2022-26	2023-26	0.23	0.23	-
	Digital EPABX (1)	2022-23	2023-24	0.10	0.10	-
	TCV (Qty-1)	2023-24	2023-24	10.00	10.00	-
	EVD (Qty-1)	2025-26	2025-26	0.16	0.16	-
	FOSD (Qty-1)	2025-26	2025-26	0.11	0.11	-
	IDC			0.65	0.38	(0.27)
A5	Furniture & Fixtures					
	P/o Ultra Violet Germicidal Irradiation (UVGI) Srinagar TB	2021-22	2021-22	0.21	0.21	-
	Airport Terminal Chairs - 102 numbers	2021-22	2021-22	0.68	0.68	-
A6	Vehicles					
	BDDS Vehicle for VSI Airport- (1 No.) transfer to Srinagar from Portblair	2021-22	2021-22	0.12	0.12	-
A7	Electrical Installations					
	DFMD (QTY-7)	2021-22	2021-22	0.12	0.12	-
	R/o Existing Taxiway & Apron Edge Light with LED	2021-22	2021-22	0.14	0.14	-
	6 Nos Hamam Tank for CISF at BSF Barrack	2021-22	2021-22	0.01	0.01	-
	Replacement of conventional light of Apron High Masts & faulty lights of terminal building with LED lights at Srinagar Airport	2022-23	2023-24	0.70	0.70	-
	Provision of Electrostatic air filters etc in AHUs as COVID-19 protective	2022-23	2023-24		1.30	-



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S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	measures at Srinagar Int'l Airport, Srinagar					
	Replacement of existing Chillers with Reversible Chillers (Chillers with Heat Pump) & associated works at Srinagar Airport	2023-24	2023-24	2.00	2.00	-
	Entertainment TV	2025-26	2025-26	0.33	0.33	-
A8	Office Appliances					
	Digital photocopy	2021-25	2021-25	0.12	0.12	-
	Computer & UPS-5	2022-26	2023-26	0.29	0.29	-
	Printers (MFP)	2022-26	2023-26	0.04	0.04	-
	Scanners	2022-26	2023-26	0.02	0.02	-
A9	XBIS					
	XBIS (7 nos RB and 4 nos HB)	2022-23	2023-24	3.52	3.52	-
Total				227.09	79.59	(147.50)
Financing Allowance				8.51	-	(8.51)
Grand Total				235.60	79.59	(156.01)
Year-wise Capitalization of Assets is as follows (₹ Crores):						
FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	
2.13	0.43	28.75	0.21	48.08	79.59	

Note: Capital Expenditure amounting to ₹ 114.39 (proposed by AAI for Srinagar International Airport) has been considered on actual incurrence basis. The same is as follows:

- Construction of CISF Barracks- ₹ 47.73 Crores
- Densification of AAI Residential Colony- ₹ 66.66 Crores

** There were calculation errors in AAI's estimate of the cost of Box Culvert (included under the cost of expansion of Apron), amounting to ₹ 28.04 Crores, which has later been rectified as ₹ 13.10 Crores.*

The Authority proposed to consider capitalization of Aeronautical expenditure for Srinagar Airport for the Third Control Period as ₹ 79.59 Crores.

6.4 Depreciation for the Third Control Period

AAI's submission of Depreciation for the Third Control Period for Srinagar Airport

6.4.1 Srinagar International Airport follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Third Control Period for Srinagar International Airport, AAI had taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders (Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by the Authority had been applied by Srinagar International Airport from FY 2018-19 onwards.

6.4.2 Depreciation had been computed separately on opening block of assets and on the proposed additions.

6.4.3 The depreciation amount proposed by Srinagar International Airport for the Third Control Period had



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been presented in the table below.

Table 40: Depreciation proposed by AAI for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land	-	-	-	-	-	-
Runways/Taxiway/Apron	0.80	0.81	0.82	1.97	3.11	7.51
Roads Bridges & Culverts	-	-	-	-	-	-
Terminal Buildings	2.00	2.00	2.00	2.00	2.00	9.99
Temporary Building	-	-	-	-	-	-
Residential Building	0.14	0.14	0.14	0.14	0.14	0.71
Temporary Boundary Wall	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings	0.05	0.06	0.06	2.05	4.04	6.24
Computers & I.T. Hardware	0.03	0.02	0.00	-	-	0.06
Intangible Assets- Computer Software	0.00	0.00	0.00	0.00	0.00	0.02
Plant & Machinery	1.79	1.71	1.71	1.65	1.59	8.43
Tools & Equipment	0.23	1.07	2.22	2.56	2.58	8.66
Furniture-Office	0.06	0.13	0.13	0.13	0.13	0.58
Vehicles	0.13	0.14	0.14	0.14	0.09	0.62
Cars/Jeeps	-	-	-	-	-	-
Elect. Installations	0.92	1.03	1.23	1.33	1.22	5.74
Office Eqpt. & Appliances	0.43	0.44	0.46	0.29	0.10	1.72
F&F- Operational Area	0.10	0.10	0.09	0.09	0.05	0.43
ATM Furniture-Trolley	0.04	0.00	0.00	0.00	0.00	0.04
X-Ray Baggage Sys.	0.45	0.56	0.29	0.29	0.29	1.88
CFT & Fire Fighting Equip.	-	-	-	-	-	-
TOTAL	7.17	8.20	9.29	12.63	15.33	52.62

Authority's examination of Depreciation for the Third Control Period at Consultation stage

- 6.4.4 The Authority noted that the Srinagar International Airport has calculated the depreciation for the Third Control Period based on the useful life of the asset with the Order No.35/ 2017-18 dated January 12, 2018. The Authority had reviewed the depreciation submitted by AAI for the Third Control Period with the rates as per the Order No.35/ 2017-18 dated January 12, 2018.
- 6.4.5 Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposed the following depreciation for the Third Control Period.

Table 41: Depreciation proposed by the Authority for the Third Control Period at Consultation stage

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Apron	0.80	0.81	0.82	0.82	1.61	4.86
Terminal Buildings	2.00	2.00	2.00	2.00	2.00	9.99



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Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Building Residential	0.14	0.14	0.14	0.14	0.14	0.71
Other Buildings - unclassified	0.05	0.05	0.05	0.05	0.05	0.26
Computers & Peripherals – End User	0.03	0.03	0.00	-	-	0.06
Intangible Assets- Computer Software	0.02	0.00	0.00	0.00	0.00	0.02
Plant & Machinery	1.71	1.63	1.63	1.57	1.51	8.06
Tools & Equipment	0.23	0.24	0.95	1.65	1.67	4.73
Furniture-Office	0.06	0.13	0.13	0.13	0.13	0.58
Vehicles	0.13	0.13	0.13	0.13	0.09	0.62
Elect. Installations	0.91	0.93	1.13	1.33	1.22	5.52
Office Equipment & Appliances	0.44	0.43	0.45	0.45	0.08	1.84
F&F- Operational Area (other than Trolley)	0.10	0.10	0.09	0.09	0.01	0.39
ATM Furniture-Trolley	0.00	-	-	-	-	0.00
X-Ray Baggage System	0.45	0.45	0.17	0.29	0.29	1.64
Total	7.05	7.08	7.69	8.65	8.79	39.26

The Authority proposed the depreciation for Srinagar Airport for the Third Control Period as ₹ 39.26 Crores.

6.5 Regulatory Asset Base (RAB) for the Third Control Period

AAI's submission of RAB for Srinagar International Airport for the Third Control Period

6.5.1 AAI's submission of RAB for the Third Control Period for Srinagar International Airport was as follows:

Table 42: RAB submitted by AAI for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	86.88	81.84	105.1	108.32	284.39	
Additions	2.13	31.46	12.51	188.70	0.80	235.60
Disposal/Transfers	-	-	-	-	-	-
Depreciation	7.17	8.20	9.29	12.63	15.33	52.62
Closing RAB	81.84	105.10	108.32	284.39	269.86	
Average RAB	84.36	93.47	106.71	196.36	277.13	

Authority's examination of RAB for Srinagar International Airport for the Third Control Period at Consultation Stage

6.5.2 The Authority proposed to adopt the capitalization of Aeronautical Expenditure in accordance with Table 39 and the depreciation amounts in accordance with Table 41.

6.5.3 Based on the above factors, the RAB proposed by the Authority for determination of Aeronautical tariff



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for the Third Control Period was as follows:

Table 43: RAB proposed by the Authority for the Third Control Period at Consultation stage

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1) (refer Table 11)	85.52	80.59	73.94	95.00	86.56	
Additions (2) (Refer Table 39)	2.13	0.43	28.75	0.21	48.08	79.59
Disposal/Transfers (3)	0	0	0	0	0	0
Depreciation (4) (refer Table 41)	7.05	7.08	7.69	8.65	8.79	39.26
Closing RAB (5) = [(1) + (2) - (3) - (4)]	80.59	73.94	95.00	86.56	125.85	
Average RAB = [(1) + (5)]/2	83.05	77.26	84.47	90.78	106.20	

The Authority proposed to consider Average RAB for the Srinagar Airport for the Third Control Period as detailed in Table 43.

6.6 Stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

6.6.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/2023-24 with respect to Capital Expenditure, Depreciation and RAB for the Third Control Period. The comments by stakeholders are presented below:

AAI's comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

6.6.2 AAI has commented the following:

Para 4.4.7 & 6.3.7

- AAI submits that Direction 05 does not state FA is only for greenfield airports. Irrespective of whether it is brownfield or greenfield airports, there is outlay of funds for significant time when developing new terminals/runways/large project works. Even in CIAL and BIAL, FA has been considered till SCP. In this regard, level playing field may be ensured for AAI and private airports.
- There would be huge outlay of funds for 4th control period due to expansion of Terminal Building. We request AERA to refer to the detailed explanations provided in comments of the Second Control Period True up for consideration of FA.

Para 6.3.5

Earlier it was proposed to construct the CISF barrack on the land proposed to be taken over from BSF. Considering the operational requirement, it is proposed to construct the CISF barracks on available AAI land only and hence will be constructed by 2025-26. AERA is requested to consider the same in the third control period.

Para 6.3.5

Earlier it was proposed to construct the residential quarters along with Terminal Building, however considering the conditions of existing quarters which are very old it is proposed to construct the same on available AAI land only and hence will be constructed by 2025-26. AERA is requested to consider



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the same in the third control period Srinagar.

Normative Cost of Apron for TCP

Based on the above statement, it is assumed that the unit rate for Base Year, i.e., 2016-17, of amount Rs. 4700/- is inclusive of VAT at 12.5%. However, AAI has calculated the normative cost based on the methodology approved by AERA vide its tariff order 40 of 2022-23.

AERA Methodology Unit Rate as per CP 04/2023-24 (2025-26)	AAI Methodology: Unit Rate as per Table 244 of Tariff Order 40/2022-23	Area of Apron (m2)(C)
6649.07	7695.46	24,000
Unit Rate excl. VAT (A)	Unit Rate excl. VAT (B)	
5910.28	6840.41	
Total Normative Cost		
(A)*(C)	(B)*(C)	
141846869.8	164169797.3	
Normative Cost incl. GST at 18%		
193720360.8	193720360.8	
5% Over Normative Cost (For Hard Station)		
175748271.7	203406378.9	

AAI requests AERA to kindly allow the full amount as per AAI methodology.

Other Stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

6.6.3 FIA has commented the following: सत्यमेव जयते

"The entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by conducting an independent efficient study on capital expenditure, which AERA is requested to conduct.

Para 6.3.5, 6.3.9 and 6.3.11

We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No.7/2016-17 dated 13 June, 2016 in order to keep the overall cost control and efficiencies in capex projects.

In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/deferred, unless deemed critical from a safety or security compliance perspective.

Refer para 4.4.5 of the CP regarding underutilization of capital expenditure, it is a reasonable submission that this does not instil confidence in the FLA member airlines towards the projected capital expenditure demanded by SIA.

To avoid such situations, we request AERA to make sure, that in case, SIA wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use, as it is unreasonable to passengers to pay for services/ facilities which are not being availed by them.

It would be prudent, if AERA undertakes an independent study and for allocation of assets and allowable capital expenditure in the Third Control Period in accordance with AERA Act, 2008.

Para 6.3.9



We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalization schedule. Such adjustments should be made by AERA during the tariff determination process for the Third Control Period instead of Fourth Control Period.

Para 6.3.10

AERA has proposed to consider a TBLR of 90:10 for the Third Control Period.

While we agree with AERA that the non-aeronautical ratio proposed by AAI for SIA is on the lower side, we request AERA to kindly undertake detailed scrutiny examination with the assistance of an independent study to be conducted on or before the tariff determination of the Third Control Period.
Para 6.4.5 Table 35

While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years. We submit that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem."

6.6.4 IATA has commented the following:

AUCC protocol

"We also commend AERA for highlighting that AUCC is yet to be conducted by AAI. It is essential that major capex such as the expansion of the Passenger Terminal Building and its design must be reviewed and consulted with stakeholders, and this shouldn't be a one-off consultation. Rather, the consultation should take into consideration the level of service, the concept of operations and adoption of technology etc. and the overall business case for the investments. We request that the AUCC protocol is adhered to fully by AAI and that consultations with stakeholders are held to review the shortlisted options (and not only a single option) and their business cases. This should also include the review of the airport master plan, phasing of various investments etc.

Capitalization of Non-operational assets

We support AERA in deferring the capitalization of non-operational assets in 3rd control period such as the expansion of the Terminal Building and CISF barracks. Affordability must be considered with a greater focus on optimizing existing infrastructure and processes. This can be better achieved/delivered with participation from all stakeholders in an inclusive manner."

6.6.5 BAOA has commented the following:

"Urgent need to enhance capacity at the existing airport, as it continues to lag behind the actual growth of passenger traffic. This being a defence airfield, availability of extra land for growth would always be an uphill task and much difficult to match with future needs.

In view of the above, it is suggested that proposal to develop a greenfield airport around Srinagar should be looked into soon. It is through the development of greenfield airport only that future requirements of exponentially growing passenger tariffs would be met."

6.7 AAI's responses to other stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

6.7.1 AAI has responded to FIA's comments as under

"The non-aeronautical ratio proposed by AAI is based on the actual space occupied by the concessionaire at the Airport. There are several aspects to be looked into at Srinagar Airport including security issue due to which there are some areas even though demarcated as non-aero are unutilized.

The life of the Terminal Building of 30 years has been considered based on the AERA Depreciation Order No.35/2017."

6.7.2 AAI has responded to IATA's comments as under

"As and when the major capex of terminal building is approved, AUCC protocol will be adhered to by AAI.

In this regard, it is to be submitted that earlier it was proposed to construct the CISF barrack on the land proposed to be taken over from BSF. Considering the operational requirement, it is proposed to construct the CISF barracks on available AAI land only and hence will be constructed by 2025-26. AERA is requested to consider the same in the third control period."

6.7.3 AAI has responded to BAOA's comments as under:

"AAI has planned to construct an additional Terminal Building to cater the passengers demand at Srinagar Airport. The project is in planning / approval stage. After necessary approval, the action for the implementation will be taken soon."

6.8 Authority's analysis on stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

6.8.1 The Authority has noted the comments of AAI regarding Financing Allowance and has provided detailed analysis under the para 4.4.17.

6.8.2 The Authority has noted AAI's comments regarding construction of CISF barracks on the available AAI land by FY 2025-26.

The Authority notes that AAI has neither provided any inputs on the availability of land nor any revised estimate for construction of CISF barracks. Further, the Authority notes that there is time lag involved in the execution of this project, as tenders have to be invited for selection of vendors.

Based on the above factors, the Authority decides to consider the CAPEX of this project, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff for the Fourth Control Period, subject to reasonableness and efficiency.

6.8.3 The Authority has noted AAI's comments regarding construction of residential quarters on the available AAI land by FY 2025-26.

The Authority notes that AAI has neither submitted any revised estimate nor any approval of the Competent Authority of AAI for construction of residential quarters. Therefore, due to non-availability of sufficient information, the Authority has considered the estimated cost submitted by AAI at the consultation stage. The Authority notes that, considering the land constraints, AAI has proposed for densification of Quarters and the same has to be carried out in phases. Further, it is noted that there are constraints and hinderances in performing this project (such as constructing some blocks in the available vacant land and shifting the occupants from some of the old blocks to the new blocks. Thereafter,

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dismantling those old blocks and constructing new blocks in those areas). Based on the above factors, which involve time-lag in completion of the project, the Authority decides to consider the CAPEX of this project, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff for the Fourth Control Period, subject to reasonableness and efficiency.

6.8.4 The Authority has noted the comments of AAI on Normative costs of Apron and has the following views:

- AAI has derived the normative costs of Apron as per Order No. 40/ 2022-23 dated January 18, 2023 (towards determination of aeronautical tariff for SVPIA, Ahmedabad), considering inflation rates as per Round 79 of RBI's Survey of Professional Forecasters on Macroeconomic Indicators, whereas the Authority has derived it as per Round 83 of RBI's Survey of Professional Forecasters on Macroeconomic Indicators (refer Table 57)
- Further, AAI has considered GST @18% for deriving Normative costs. However, the Authority had considered differential rate of 6% GST, as explained in the Note to Table 36 of this Tariff Order.

Further, there were inaccuracies noted in the estimation of Apron costs submitted by AAI as well. Due to this, AERA had rationalized this cost from ₹ 61.60 Cr. to ₹ 44.12 Cr. at the Consultation stage and AAI had agreed to it.

AERA further clarifies that the normative costs of Apron has been derived in accordance with the guiding principles of the Normative Order No. 7/ 2016-17 dated June 13, 2016.

Based on the above factors, the Authority sees no merit in AAI's contention and decides to maintain its proposal given at the consultation stage.

6.8.5 The Authority has examined the comments of FIA on conducting an independent study on the efficient capital expenditure in the Third Control Period.

Such studies are carried out based on the size and scale of operations of the Airport. Srinagar, being a small airport, with lesser complexities, the Authority decided to accomplish this exercise in-house. Further, the Authority has examined in depth the CAPEX proposals submitted by AAI for Srinagar Airport for the Third Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential from safety/ security/ operational requirements.

6.8.6 The Authority has noted FIA's comments on adjustment of 1% and has provided detailed analysis under para 4.4.18.

6.8.7 The Authority has noted FIA's comment regarding depreciation for the Third Control Period. As per Order No. 35/2017-18 dated 12 January 2018, the Authority has given the option to airport operators to decide the useful life for terminal buildings as either 30 years or 60 years. AAI, based on its assessment, has submitted 30 years as the useful life for terminal buildings. Therefore, the Authority has decided not to consider any further revisions in this regard.

6.8.8 The Authority has noted the comments of IATA on AUCC protocol and the response of AAI.

The Authority had emphasized the importance of conducting AUCC meeting with all the key stakeholders by AAI with respect to major capital projects planned at Srinagar Airport both at the Consultation stage and during the stakeholders' consultation meeting conducted w.r.t tariff determination process of Srinagar Airport for the Third Control Period.

The Authority expects AAI should have proper protocol for conducting AUCC meeting, as stipulated



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under clause A1.3 of AERA Guidelines, 2011 and shall ensure the same before filing MYTP with the Regulator.

6.8.9 The Authority has noted comments of IATA on capitalization of Non-operational assets and response of AAI thereon. For detailed analysis regarding the construction of CISF Barracks refer para 6.8.2 of the Tariff Order.

6.8.10 The Authority has noted the comments of BAOA on development of greenfield airport at Srinagar and the response of AAI.

Development of Greenfield airport in any city of the Country is the strategic decision of the State/ Central Government, thereby the issue is beyond the purview of AERA. The Authority has also drawn inference from Stakeholders' Consultation meeting dated July 19, 2023 for Srinagar Airport, wherein AAI has informed that they are planning to construct an additional Terminal Building at Srinagar Airport, during the next Control Period.

6.8.11 As commented by the Stakeholders, there is a need to take up the construction of Terminal Building at Srinagar International Airport for passenger facilitation, as the passenger traffic has already surpassed the capacity of the existing Terminal Building. Otherwise, the passengers are not getting the desired services at the Airport, despite paying higher tariff.

6.8.12 The Authority has re-computed the inflation adjusted normative costs of Apron, by considering the inflation rates as per Table 57 as per Chapter 8 of this Tariff Order based on "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 83" released on August 10, 2023 published by the Reserve Bank of India (RBI). The same is shown as follows:

Table 44: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Apron

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
WPI*	111.6	114.9	119.8	121.8	123.4		-	-	-	
Inflation **						7.14%#	9.42%	0.10%	4.00%	4.00%
Rate per Sq.m. (in ₹)	4,700	4,839	5,045	5,130	5,197	5,568	6,093	6,099	6,343	6,596
Rate per Sqm incl. GST @ 6% (refer Note below)										6,992

Table 45: Cost of Apron works decided by the Authority for the Third Control Period

(₹ Crores)

Work	Cost submitted by AAI	Cost based on Normative Approach	Cost considered by Authority
iii. Pavements			
• Civil Works	20.3	17.62**	17.62
• Earthwork & Miscellaneous work*	9.97	-	9.97
Sub Total (i)	30.27		27.59
iv. Other costs			



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Work	Cost submitted by AAI	Cost based on Normative Approach	Cost considered by Authority
Box Culvert	28.04***		13.10
Boundary Wall	1.14		1.14
AVDGS and Signages	2.15		2.15
Sub Total (ii)	31.33		16.39
Total	61.60		43.98

* Earthwork & Miscellaneous – It includes Earthwork in cutting, Earth disposed, Earth filling, dismantling of existing pavements, dismantling of boundary wall and shifting/ construction of IAF road.

** Srinagar International Airport being a Hard Station Airport, the Authority decides to allow 5% over and above the Normative Cost.

*** Calculation errors were noted in AAI's MYTP submission, which were later on rectified by AAI.

Based on the above, the Authority decides to consider capitalization of the project on Expansion of Apron in the FY 2025-26 for ₹ 43.98 Crores.

6.8.13 Based on the above factors, the Authority has determined the revised capital expenditure, depreciation and RAB which it decides to consider for the Third Control Period of Srinagar International Airport, which is as follows:

Table 46: Capital Expenditure (Project-wise) decided by the Authority for the Third Control Period
(₹ Crores)

S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
Capital expenditure proposed for the Third Control Period						
A1.	Runways/ Taxiways & Apron					
	Dismantling and re-construction of existing Taxi way D & D1 portions parallel to cross drainage at Srinagar International Airport	2022-23	2022-23	0.43	0.43	-
	Expansion of existing Apron & associated works	2024-25	2025-26	61.61*	43.98	(17.63)
	IDC			4.41	3.15	(1.26)
A2.	Other Building					
	Provision of Tactile flooring and Miscellaneous allied Civil works for visually impaired DIVYANG JAN at Srinagar International Airport, Srinagar	2021-22	2021-22	0.09	0.09	-



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S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	Misc Civil works at Srinagar Airport. SH: Provision of toilet block, septic tank and associated civil works at half long and at CRPF barracks	2021-22	2021-22	0.15	0.15	-
	Construction Of CISF Barracks at BSF Campus, Srinagar	2024-25	-	44.38	-	(44.38)
	IDC			3.35	-	(3.35)
	Densification of Residential Colony	2023-24	-	62.29	-	(62.29)
	IDC			4.37	-	(4.37)
A3	Plant & Machinery					
	Electronic Stethoscope (qty-1)	2025-26	2025-26	0.01	0.01	-
A4	Tools & Equipment					
	5 no of ETD-M S TECH-(124ETD)	2021-22	2021-22	0.54	0.54	-
	Body Scanner (Qty-4)	2022-23	2023-24	23.10	9.00	(14.10)
	SBD (Qty-2)	2022-23	2023-24	0.80	0.80	-
	NLJD (Qty-1)	2022-23	2023-24	0.04	0.04	-
	LED (Qty-1)	2022-23	2023-24	0.50	0.50	-
	HHMD	2022-26	2023-26	0.17	0.17	-
	WALKIE TALKIE	2022-26	2023-26	0.23	0.23	-
	Digital EPABX (1)	2022-23	2023-24	0.10	0.10	-
	TCV (Qty-1)	2023-24	2023-24	10.00	10.00	-
	EVD (Qty-1)	2025-26	2025-26	0.16	0.16	-
	FOSD (Qty-1)	2025-26	2025-26	0.11	0.11	-
	IDC			0.65	0.38	(0.27)
A5	Furniture & Fixtures					
	P/o Ultra Violet Germicidal Irradiation (UVGI) Srinagar TB	2021-22	2021-22	0.21	0.21	-
	Airport Terminal Chairs - 102 numbers	2021-22	2021-22	0.68	0.68	-
A6	Vehicles					
	BDDS Vehicle for VSI Airport- (1 No.) transfer to Srinagar from Portblair	2021-22	2021-22	0.12	0.12	-
A7	Electrical Installations					
	DFMD (QTY-7)	2021-22	2021-22	0.12	0.12	-
	R/o Existing Taxiway & Apron Edge Light with LED	2021-22	2021-22	0.14	0.14	-
	6 Nos Hamam Tank for CISF at BSF Barrack	2021-22	2021-22	0.01	0.01	-
	Replacement of conventional light of	2022-23	2023-24	0.70	0.70	-



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S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	Apron High Masts & faulty lights of terminal building with LED lights at Srinagar Airport					
	Provision of Electrostatic air filters etc in AHUs as COVID-19 protective measures at Srinagar Int'l Airport, Srinagar	2022-23	2023-24	1.30	1.30	-
	Replacement of existing Chillers with Reversible Chillers (Chillers with Heat Pump) & associated works at Srinagar Airport	2023-24	2023-24	2.00	2.00	-
	Entertainment TV	2025-26	2025-26	0.33	0.33	-
A8	Office Appliances					
	Digital photocopy	2021-25	2021-25	0.12	0.12	-
	Computer & UPS-5	2022-26	2023-26	0.29	0.29	-
	Printers (MFP)	2022-26	2023-26	0.04	0.04	-
	Scanners	2022-26	2023-26	0.02	0.02	-
A9	XBIS					
	XBIS (7 nos RB and 4 nos HB)	2022-23	2023-24	3.52	3.52	-
Total				227.09	79.44	(147.65)
Financing Allowance				8.51	-	(8.51)
Grand Total				235.60	79.44	(156.16)
Year-wise Capitalization of Assets is as follows (₹ Crores):						
FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	
2.13	0.43	28.75	0.21	47.93	79.44	

Table 47: Depreciation decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Apron	0.80	0.81	0.82	0.82	1.60	4.85
Terminal Buildings	2.00	2.00	2.00	2.00	2.00	9.99
Building Residential	0.14	0.14	0.14	0.14	0.14	0.71
Other Buildings - unclassified	0.05	0.05	0.05	0.05	0.05	0.26
Computers & Peripherals – End User	0.03	0.03	0.00	-	-	0.06
Intangible Assets- Computer Software	0.02	0.00	0.00	0.00	0.00	0.02
Plant & Machinery	1.71	1.63	1.63	1.57	1.51	8.06
Tools & Equipment	0.23	0.24	0.95	1.65	1.67	4.73
Furniture-Office	0.06	0.13	0.13	0.13	0.13	0.58
Vehicles	0.13	0.13	0.13	0.13	0.09	0.62



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Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Elect. Installations	0.91	0.93	1.13	1.33	1.22	5.52
Office Equipment & Appliances	0.44	0.43	0.45	0.45	0.08	1.84
F&F- Operational Area (other than Trolley)	0.10	0.10	0.09	0.09	0.01	0.39
ATM Furniture-Trolley	0.00	-	-	-	-	0.00
X-Ray Baggage System	0.45	0.45	0.17	0.29	0.29	1.64
Total	7.05	7.08	7.69	8.65	8.79	39.26

Table 48: RAB decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1) (refer Table 11)	85.52	80.59	73.94	95.00	86.56	
Additions (2) (Refer Table 46)	2.13	0.43	28.75	0.21	47.93	79.44
Disposal/Transfers (3)	0	0	0	0	0	0
Depreciation (4) (refer Table 47)	7.05	7.08	7.69	8.65	8.79	39.26
Closing RAB (5) = [(1) + (2) - (3) - (4)]	80.59	73.94	95.00	86.56	125.70	
Average RAB = [(1) + (5)]/2	83.05	77.26	84.47	90.78	106.13	

6.9 Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period.

- 6.9.1 To consider allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical assets as detailed in Table 33.
- 6.9.2 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 46.
- 6.9.3 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.
- 6.9.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Fourth Control Period.
- 6.9.5 To consider depreciation as per Table 47 for the Third Control Period.
- 6.9.6 To true up Depreciation of the Third Control Period based on the actual asset additions and actual date



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of capitalization during the tariff determination of the Fourth Control Period.

6.9.7 To consider Average RAB for the Third Control Period as per Table 48.

6.9.8 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.



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7 FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

7.1 AAI's submission of Fair Return of Return for the Third Control Period for Srinagar Airport

7.1.1 AAI submitted that Srinagar International Airport would require debt to fund the capital expenditure that have been projected for the Third Control Period. Further, AAI also submitted that a debt: equity ratio of 60%:40% has been considered for the cost of extension of Apron and other capital additions. Considering this composition of capital for the Third Control Period, AAI has submitted the projected debt and equity computation as follows:

Cost of Debt

7.1.2 The cost of debt submitted by AAI for the FRoR calculation of the Third Control Period pertaining to Srinagar International Airport was 6.21% per annum.

7.1.3 The outstanding debt and cost of debt as submitted by AAI for the Third Control Period for Srinagar International Airport was summarized in the table below:

Table 49: Debt computation for the Third Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening debt	0.00	0.00	15.38	57.44	121.81
Closing debt	0.00	15.38	57.44	121.81	119.69
Average Debt	0.00	7.69	36.41	89.63	120.75
Cost of Debt (%)	6.21%	6.21%	6.21%	6.21%	6.21%

Cost of Equity

7.1.4 The cost of equity as submitted by AAI for the Third Control Period was 16% per annum.

7.1.5 The equity projections of Srinagar International Airport for the Third Control Period as submitted by AAI had been summarized in the table below:

Table 50: Equity computation for the Third Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Equity	208.10	224.42	254.55	297.67	298.47
Cost of Equity (%)	16%	16%	16%	16%	16%

Fair Rate of Return

7.1.6 Based on the financing pattern as discussed above, AAI had computed the FRoR for the Third Control Period as summarized in the table below:

Table 51: FRoR for the Third Control Period submitted by AAI

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	0.00	15.38	57.44	121.81	119.69



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Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Equity	B	208.10	224.42	254.55	297.67	298.47
Debt + Equity	C	208.10	239.80	312.00	419.48	418.16
% of Debt	A/(A+B)	-	6%	18%	29%	29%
% of Equity	B/(A+B)	100%	94%	82%	71%	71%
Cost of Debt (%)	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity (%)	E	16%	16%	16%	16%	16%
Individual year of gearing	F	0	6%	18%	29%	29%
Weighted Average of gearing	G	16.50%				
FRoR	H= [(G*D)+(1-G)*E]	14.38%				

7.2 Authority's examination of FRoR for the Third Control Period at Consultation stage

Cost of Equity

7.2.1 The Authority had analyzed the cost of equity pertaining to Srinagar International Airport as submitted by AAI for the Third Control Period. The Authority acknowledged the debt availed by AAI for Srinagar International Airport in the Third Control Period and its impact on FRoR. However, the Authority was of the opinion that the gearing ratio is still suboptimal and does not justify a cost of equity of 16% per annum as submitted by AAI. The Authority had drawn reference to the independent studies conducted in the past for PPP airports (such as DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore), wherein an optimal gearing ratio of 48%:52% was considered. The independent study reports had been drawn from the international experience of airports, wherein the median and average Cost of Equity was determined as 15.16% and 15.18%, respectively. However, the Authority noted that the debt-equity ratio for Srinagar International Airport ranges between 6% to 29% in the Third Control Period, which is not relatable to the above optimal gearing ratio of 48%:52%, thereby the Authority did not see any merit in AAI's claim of 16% as Cost of Equity. Therefore, the Authority proposed to consider the Cost of Equity of 14% across the Third Control Period (as was also allowed in the Second Control Period).

7.2.2 Considering the changes in the capitalization plan for the Third Control Period and the cost of equity, the Authority had recalculated the equity computation of Srinagar International Airport and the same had been summarized in the table below:

Table 52: Equity computation proposed by the Authority for the Third Control Period at Consultation stage

Particulars	(₹ Crores)				
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Equity	83.05	77.27	78.16	78.16	79.41
Cost of Equity (%)	14%	14%	14%	14%	14%

Cost of debt

7.2.3 The Authority noted that AAI had considered capital expenditure funding where 60% of the capital requirement is funded through debt and 40% from internal accruals.

7.2.4 The Authority had recalculated the debt computation considering the total fund requirement as per the



FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

capitalization for the Third Control Period and the same was presented in the table below:

Table 53: Debt computation proposed by the Authority for the Third Control Period at Consultation stage

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening debt	A	0.00	0.00	0.00	12.61	12.61
Drawdown (additional loan taken)	B	0.00	0.00	12.61	0.00	28.37
Repayment	C	0.00	0.00	0.00	0.00	0.00
Closing debt	D=A+B-C	0.00	0.00	12.61	12.61	40.98
Average debt	E= (A+D)/2	0.00	0.00	6.31	12.61	26.80
Cost of debt (%)		6.21%	6.21%	6.21%	6.21%	6.21%

Fair Rate of Return

7.2.5 The FRoR recalculated by the Authority after considering the analysis discussed above had been shown as follows:

Table 54: Fair Rate of Return proposed by the Authority for the Third Control Period at Consultation stage

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	0.00	0.00	12.61	12.61	40.98
Equity	B	83.05	77.27	78.16	78.16	79.41
Debt + Equity	C= A+B	83.05	77.27	90.78	90.78	120.39
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14%	14%	14%	14%	14%
Individual Year Gearing	F	0%	0%	14%	14%	34%
Weighted Average Gearing	G			14.32%		
Cost of Debt	H			6.21%		
Cost of Equity	I			14%		
FRoR	J = G*H+(1-G)*I			12.88%		

7.3 Stakeholders' comments on Fair Rate of Return (FRoR) for the Third Control Period

7.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to Fair Rate of Return (FRoR) for the Third Control Period. The comments by stakeholders are presented below:

Other Stakeholders' comments on Fair Rate of Return (FRoR) for the Third Control Period

7.3.2 FIA has commented the following:

Para 7.2.5 of CP

"It is observed that AERA has considered FRoR of 12.88%, which is the net of income tax return,



FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

calculated on the basis of cost of equity and debt, however, it may be noted, that AERA in the recent times, have approved lower FroR for other AAI airports (Third Control Period), such as Chennai (11.98%) and Pune (11.68%) on the same cost of equity and cost of debt i.e., 14% and 6.21%.

Further, it is to be noted, that while such fixed/ assured return favours the service provider/airport operators, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs.

Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns.

Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. Without prejudice to the above:

- 1. In the present scenario any assured return on investment to any services providers like AAI, in excess of six (6) % (including those on past orders) will be onerous for the airlines, i.e., being at par with bank fixed deposits (i.e., return on investment after the income tax), based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks.*
- 2. In case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to the Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators. This is particularly highlighted since other AAI airports like Chennai, Kolkata and Pune have a much lower FRoR."*

7.4 AAI's responses to other stakeholders' comments on Fair Rate of Return (FRoR) for the Third Control Period

7.4.1 AAI has responded to FIA's comments as under

"FRoR has been calculated by AERA considering cost of debt @ 6.21% whereas the cost of debt is presently available in market @ 8% and more. The FRoR is bound to vary based on the cost of Debt."

7.5 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Third Control Period

7.5.1 The Authority has noted the comments of FIA on FRoR and the response of AAI.

The Authority has considered the Cost of Equity as 14% and Cost of Debt as 6.21% only for Srinagar Airport, as followed for other AAI airports in the past. However, it may be noted that gearing ratio is based on the quantum of debt proposed to be availed by AAI for its capital projects.

The Authority also states that the capital structure of AAI is not efficient and has asked AAI to make its capital gearing efficient by raising debt funds. Further, the Authority has noted that in the recent times, AAI has taken steps to make its capital structure efficient by availing debt for executing capital expansion plans at certain Airports. Hence, at this juncture, the Authority does not intend to conduct an independent study for assessing the normative capital structure as FRoR is expected to come down over a period on account of the above initiatives of AAI.

The Authority also notes FIA's comment on limiting the return on investment to 6%. With respect to FIA's suggestions to cap the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that an airport is a long-term asset, wherein investors desire a stable return on equity.

Therefore, the Authority finds that it is not pragmatic or fair to cap the FRoR, and compare it with bank

FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

deposit rates. Bank deposit rates and commercial lending rates are two different things altogether. Similarly, AERA does not agree with the high return on equity claimed by the Airport Operators. Thus, AERA takes a balanced view in the interest of all stakeholders in the Aviation sector.

7.5.2 The Authority has re-computed FRoR, based on the revised capital expenditure and depreciation decided by it, as discussed under Chapter 6. The revised FRoR is presented as follows:

Table 55: Fair rate of Return decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	0.00	0.00	12.61	12.61	40.89
Equity	B	83.05	77.27	78.16	78.16	79.38
Debt + Equity	C= A+B	83.05	77.27	90.78	90.78	120.27
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14%	14%	14%	14%	14%
Individual Year Gearing	F	0%	0%	14%	14%	34%
Weighted Average Gearing	G	14.31%				
Cost of Debt	H	6.21%				
Cost of Equity	I	14%				
FRoR	$J = G*H + (1 - G)*I$	12.89%				

7.6 Authority's decisions regarding Fair Rate of Return (FRoR) for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to FRoR for the Third Control Period.

- 7.6.1 To consider Cost of Debt at 6.21% as proposed by AAI.
- 7.6.2 To consider Cost of Equity at 14%.
- 7.6.3 To consider FRoR of 12.89% for Srinagar Airport for the Third Control Period as per Table 55.
- 7.6.4 To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.

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8 INFLATION FOR THE THIRD CONTROL PERIOD

8.1 AAI's submission of Inflation for the Third Control Period for Srinagar Airport

8.1.1 AAI had not made any submission related to inflation as part of its MYTP submission for Srinagar International Airport for the Third Control Period.

8.2 Authority's examination on inflation for the Third Control Period at Consultation stage

8.2.1 The Authority proposed to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 81" released on April 6, 2023 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposed to consider the actual Wholesale Price Index (All Commodities) inflation in FY 2022 and the mean of WPI inflation forecasts (All Commodities) for FY 2023 till FY 2026 as given in the 81st round of survey of professional forecasters on macroeconomic indicators of RBI.

8.2.2 The Authority had assumed that the inflation rate would be stable and remain constant from FY 2025 till FY 2026. Accordingly, the following table shows the inflation rates proposed by the Authority for the Third Control Period for Srinagar International Airport.

Table 56: Inflation rates proposed by the Authority for the Third Control Period for Srinagar Airport at Consultation stage

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
WPI inflation	12.97%	9.60%	2.90%	2.90%	2.90%

8.3 Stakeholders' comments on Inflation for the Third Control Period

8.3.1 No comments were received from Stakeholders regarding Inflation for the Third Control Period.

8.4 Authority's analysis on Stakeholders' comments regarding Inflation for the Third Control Period

8.4.1 The Authority has noted that there are no stakeholder's comments regarding inflation proposed for the Third Control Period. The Authority has decided to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 83" released on August 10, 2023 published by the Reserve Bank of India (RBI). Accordingly, the Authority decides to consider the actual Wholesale Price Index (All Commodities) inflation in FY 2022 and FY 2023 and the mean of WPI inflation forecasts (All Commodities) for FY 2024 till FY 2026 as given in the 83rd round of survey of professional forecasters on macroeconomic indicators of RBI, for the Third Control Period for Srinagar International Airport. The same is presented as follows:

Table 57: Inflation rates decided by the Authority for the Third Control Period for Srinagar Airport

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
WPI inflation	12.97%	9.42%	0.10%	4.00%	4.00%



8.5 Authority's decisions regarding inflation for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Inflation for the Third Control Period:

8.5.1 To consider Inflation for the Third Control Period for Srinagar Airport as detailed in Table 57.



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9 OPERATION AND MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD**9.1 AAI's submission of Operation and Maintenance expenses for the Third Control Period for Srinagar Airport**

9.1.1 Operation and Maintenance (O&M) expenses submitted by AAI is segregated into the following:

- Payroll Expenses,
- Admin and General Expenditure,
- Repair and Maintenance Expenditure,
- Utilities and Outsourcing Expenditure, and
- Other outflows, i.e., Collection Charges on UDF

9.1.2 The expenses related to AAICLAS, ANS, and CISF Security, had not been considered by AAI.

9.1.3 AAI had segregated the expenses into Aeronautical expenses, Non-aeronautical expenses, and Common Expenses. The Common Expenses have been further segregated into Aeronautical and Non-aeronautical based on the relevant Ratios.

9.1.4 AAI submitted that the allocation of CHQ/RHQ expenses among individual airports had been done based on the revenue of each Airport.

9.1.5 The summary of Aeronautical O&M expenses proposed by Srinagar Airport for the Third Control Period had been presented in the table below:

Table 58: Operation and Maintenance (O&M) expenditure submitted by AAI for Srinagar International Airport

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	10.41	11.14	11.92	12.75	13.62	59.84
Payroll Costs - CHQ/RHQ (retirement benefits)	1.47	1.57	1.68	1.80	1.92	8.44
Repair & Maintenance	9.95	10.95	12.05	13.47	14.79	61.21
Utilities & Outsourcing Expenses	4.12	4.25	4.38	4.52	4.66	21.93
Admin. & Other Expenses - Excluding CHQ/RHQ	3.66	4.49	4.89	5.33	5.36	23.73
Admin. & Other Expenses - CHQ/RHQ	32.70	34.33	36.05	37.85	39.74	180.67
Other Outflows	0.66	0.71	0.79	0.86	0.92	3.94
Total O&M Expenditure	62.97	67.44	71.76	76.58	81.01	359.76

9.1.6 The summary of growth rates assumed by AAI for the O&M expenses have been presented in the table below:

Table 59: Growth rates in O&M expenditure submitted by Srinagar International Airport

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Payroll Costs - Excluding CHQ/RHQ	7%	7%	7%	7%	7%
Payroll Costs - CHQ/RHQ	-	7%	7%	7%	7%
Utilities & Outsourcing Expenses	3%	3%	3%	3%	3%



OPERATION AND MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Admin. & Other Expenses - Excluding CHQ/RHQ	10%	10%	10%	10%	10%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	5%

9.1.7 Further, the summary of allocation of expenses between Aeronautical and Non-aeronautical as proposed by AAI is given in the table below:

Table 60: Allocation of O&M expenses submitted by AAI for Srinagar International Airport for FY 2020-21

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	98.28%	1.72%
Payroll Costs –CHQ/RHQ	98.28%	1.72%
Repair & Maintenance – Civil	93.47%	6.53%
Repair & Maintenance – Electricity	93.47%	6.53%
Repair & Maintenance - IT	93.47%	6.53%
Utilities	100%	0%
Upkeep Expenses	93.47%	6.53%
Admin. & Other Expenses - Excluding CHQ/RHQ	98.46%	1.54%
Admin. & Other Expenses - CHQ/RHQ	95%	5%
Other Outflows	100%	0%

9.2 Authority’s examination of Operation and Maintenance expenses for the Third Control Period at Consultation Stage

9.2.1 The Authority had considered the data for FY 2021-22 (which is the first Tariff Year of the Third Control Period) based on actuals. The Authority observed that the O&M expenses approved by AERA in the tariff order for the Second Control Period for Srinagar Airport was for ₹ 134.5 Crores (refer Table 15), against which actual expenses of ₹ 219.90 Crores (refer Table 14) was submitted by AAI for Srinagar Airport for true up of the Second Control Period. The Authority examined the above actual O&M expenses and had proposed ₹ 176.01 Crores (refer Table 19) to be trued up for the Second Control Period. However, AAI had submitted its O&M expenses for Srinagar International Airport for the Third Control Period for ₹ 359.76 Crores, which was 104% higher than the O&M expenses approved by the Authority for true up of the Second Control Period (which is for ₹ 176.01 Crores).

Allocation of O&M expenses to Aeronautical and Non-aeronautical activities

9.2.2 The Authority examined the allocation of Operational and Maintenance expenses by AAI between Aeronautical and Non-aeronautical activities for Srinagar International Airport. The same had been explained in the following paragraphs.

9.2.3 AAI had segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-Aeronautical in the employee ratio of 98.28%: 1.72% for FY-2020-21, which was derived based on the headcount of aeronautical and Non-Aeronautical staff within the airport. Based on the review of the above assumptions, the Authority considered the basis of apportionment by AAI to be



OPERATION AND MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

appropriate.

- 9.2.4 AAI had segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from the Concessionaires. Based on the review of the above assumptions, the Authority considered the basis of apportionment by AAI to be appropriate.
- 9.2.5 Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Civil and Electrical) had been apportioned in the ratio of Terminal Building by AAI which is 93.47%: 6.53% However, the Authority proposed to re-allocate the above expenses in the Terminal Building ratio of 90%:10%, as detailed in para 6.3.10.
- 9.2.6 Based on the above factors, the Authority had determined the following basis for allocation of expenses, which is as follows:

Table 61: Allocation of O&M expenses proposed to be considered by Authority for Srinagar International Airport for FY 2020-21 at Consultation Stage

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	98.28%	1.72%
Payroll Costs –CHQ/RHQ	98.28%	1.72%
Repair & Maintenance – Civil	90%	10%
Repair & Maintenance – Electricity	90%	10%
Repair & Maintenance - IT	90%	10%
Utilities	100%	0%
Upkeep Expenses	90%	10%
Admin. & Other Expenses - Excluding CHQ/RHQ	98.46%	1.54%
Other Outflows	100%	0%

Payroll expenses

- 9.2.7 AAI considered a growth rate of 7% in payroll expenses for the period 2021-22 to 2025-26. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposed to consider a growth rate of 6% year on year in payroll expenses for the Third Control period beginning from FY 2022-23 (considering FY 2021-22 as the base). The above restriction in the growth rate in payroll expenses, was being proposed with the perspective of rationalizing the costs of the Airport. The Authority proposed to consider the growth rate of only 6% of payroll expenses other than CHQ and RHQ, for all the 5 years in the Third Control Period.

CHQ/ RHQ Administration and General expenses

- 9.2.8 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Srinagar International Airport for the Third Control Period. Based on the methodology and justification explained under para 4.7.4 (a) and (b) of this Consultation Paper, the Authority had rationalized the CHQ and RHQ-Administration and General Expenses, projected by AAI for Srinagar International Airport for the Third Control Period. The same is presented in Table 62.

Repairs and Maintenance expenses

9.2.9 The Authority noted that AAI had proposed an increase of 10% year- on- year on repair and maintenance expenditure for the Third Control Period. The Authority was of the view that Srinagar International Airport is extending its Apron. As the Airport has a blend of new and old assets, the overall R&M costs is expected to be lesser than that claimed by AAI. Therefore, the Authority proposed to limit the repairs and maintenance costs to the extent of 6% of the opening RAB (Net Block) for the Third Control Period. Further, the Authority noted that AAI had incurred snow clearing expenses amounting to ₹ 2.29 Crores (₹ 1.21 Crores in FY 2021-22 and ₹ 1.08 Crores in FY 2022-23) for the Third Control Period. The Authority proposed to consider the actual snow clearing expenses for FY 2021-22 and FY 2022-23 and actual expense of FY 2022-23 (₹ 1.08 Crores) for the period from FY 2023-24 to FY 2025-26. Considering the fact that Srinagar International Airport is a hard station Airport and has peculiar climatic conditions (as explained in para 4.7.4), the Authority proposed to consider the snow clearing expense of ₹ 5.54 Crores in addition to the Repair and Maintenance expenses rationalized by the Authority (by limiting it to 6% of Opening RAB of each tariff year) for the Third Control Period.

Administration and General expenses (other than CHQ/ RHQ and upkeep expenses)

9.2.10 The Authority noted that AAI has projected a 10% increase in Administration and General expenses (other than CHQ/ RHQ and upkeep expenses) year-on-year, which the Authority proposed to consider for the Third Control Period.

Expenses towards Utilities

9.2.11 The Authority examined the expenses towards utilities and noted the following:

Power expenses: AAI had projected the power costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 10% of the total power costs). The Authority noted that the power recovery percentage is significantly lower than that of comparable airports. The Authority was of the view that with the gradual increase in the Non-aeronautical operations, AAI should increase the power recovery from the Concessionaires. Accordingly, the Authority proposes to consider power recoveries at a notional rate of 25%, while determining tariff for the next Control Period. The Authority had invited stakeholder comments on the same and proposed to analyze this further in the Tariff Order for the Third Control Period.

The Authority noted that AAI had increased the net power costs of FY 2020-21 by 3% year-on-year for the Third Control Period, which the Authority proposed to consider for determining O&M expenses for the Third Control Period.

Upkeep expenses

9.2.12 The Authority was of the view that for upkeep expenses, an increase towards inflationary effect should only be considered, instead of the 10% increase year-on-year as proposed by AAI, as these are contractual expenses, wherein the rates have been finalized for the entire contract period. The Authority noted that there may be revision to the Minimum Wages payable to the manpower, in accordance with the statutory requirements. However, the Authority was of the view that upkeep expenses is a composite cost which includes cost of materials and manpower. Based on the above factors, the Authority proposes to consider only the inflationary effect (refer Table 56) on Upkeep expenses year-on-year across the third control period, as also followed in other similar airports.

Collection charges on UDF

9.2.13 For other outflows, i.e., Collection Charges on UDF, AAI considered the growth rate to be the same as that of passenger traffic. The Authority proposed to use the same fundamental approach,



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as it finds the same to be a reasonable driver.

9.2.14 Based on the above observations, the Authority had determined the O&M expenses, which it proposed to consider in the Third Control Period. The same had been presented as follows:

Table 62: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Third Control Period at Consultation Stage

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22*	2022-23*	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	10.06	10.72	11.36	12.05	12.75	56.94
Payroll Costs - CHQ/RHQ	0.29	0.31	0.32	0.34	0.36	1.62
Repair & Maintenance	6.34	5.92	5.52	6.78	6.28	30.84
Utilities & Outsourcing Expenses	5.04	5.20	5.36	5.53	5.70	26.83
Upkeep Expenses	1.99	2.18	2.25	2.31	2.38	11.11
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	1.84	2.48	2.68	2.90	2.69	12.59
Admin. & Other Expenses - CHQ/RHQ	21.88	22.98	24.12	25.33	26.60	120.91
Other Outflows	0.10	0.13	0.15	0.17	0.19	0.73
Total O&M Expenditure	47.54	49.92	51.77	55.41	56.94	261.57

*The Authority has considered the Actual expenses for FY 2021-22 and FY 2022-23.

9.2.15 Based on above considerations, the Authority proposed the following growth rates in Operation and Maintenance expenses, as compared to the previous year's actuals/ projections.

Table 63: Growth rates in O&M expenses considered by the Authority for the Third Control Period at Consultation Stage

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Payroll Costs - Excluding CHQ/RHQ	-	6%	6%	6%	6%
Payroll Costs - CHQ/RHQ	-	5%	5%	5%	5%
Utilities & Outsourcing Expenses	-	3%	3%	3%	3%
Upkeep Expenses	-	9.6%	2.9%	2.9%	2.9%
Administration & General Expenses - Excluding CHQ/RHQ and Upkeep expenses	-	10%	10%	10%	10%
Administration & General Expenses - CHQ/RHQ	-	5%	5%	5%	5%

9.3 Stakeholders' comments on Operation and Maintenance Expenses for the Third Control Period

9.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to Operation and Maintenance Expenses for the Third Control Period. The comments by stakeholders are presented below:



AAI's comments on Operation and Maintenance Expenses for the Third Control Period

9.3.2 AAI has commented the following:

Para 4.7.4 of CP

The summary of AAI's and AERA's R&M Expense calculation is as under: -

R&M Expenses in 3 RD Control Period						
Year	2021-22	2022-23	2023-24	2024-25	2025-26	TOTAL
AAI (Table 45)	9.95	10.95	12.05	13.47	14.79	61.21
AERA (Table 49)	6.34	5.92	5.52	6.78	6.28	30.84
Difference	3.61	5.03	6.53	6.69	8.51	30.37

As R&M costs increase with life of assets due to wear and tear, AERA is requested to consider actual R&M instead of restricting it to 6% of opening RAB. AERA may also refer sl.no vi (page 13) for detailed justifications.

Para 9.2.7 of CP

- 7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, quarterly increase in DA and Employer contribution to PF. In all other Airports AERA has considered 7% increase. The figures for the TCP are genuine as submitted by AAI.
- The following illustration clearly shows that there is an average 7% increase in the Payroll expenditure. Therefore, AAI requests AERA to consider the figures for the TCP as submitted by AAI.
- The following illustration clearly shows that there is an average 7% increase in the Payroll expenditure.

Calculation of incremental increase in Salary (in % terms)								
Particulars	Per Month	Salary Year 1	Q1	Q2	Q3	Q4	Salary Year 2	(In Rs.)
								Yearly Incremental
Basic Pay	10000	120000	30900	30900	30900	30900	123600	3600
DA	1800	21600	6798	7725	8343	8652	31518	9918
HRA	2700	32400	8343	8343	8343	8343	33372	972
PERKS	3500	42000	10815	10815	10815	10815	43260	1260
EPF	1200	14400	3708	3708	3708	3708	14832	432
Total	19200	230400	60564	61491	62109	62418	246582	16182
Particulars	% Increase							



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DA	18%		22%	25%	27%	28%
HRA	27%		27%	27%	27%	27%
Perks	35%		35%	35%	35%	35%
EPF	12%		12%	12%	12%	12%

**Total Increase
(in Rs.) 16182**

% increase 7.02

Assumptions :

- Year 1 Means Previous Year
- Year 2 Means Current Year
- Basic Pay – 3% yearly increase considered.
- Dearness Allowance- Quarterly increase considered.
- HRA, Perks & EPF – Considered Constant
- In the abovementioned example, the Salary expenditure for Year 1 shown as Rs. 230400/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 246582/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 16182/- per employee which comes out to 7.02% on Year on Year basis.

AAI requests AERA to consider 7% increase on Year on Year basis for the Third Control Period on the basis of above calculations.

Para 8.2 of CP

AAI has calculated the ratio of 93.47: 6.53 based on actual allocations in Second Control Period and projections for Third Control Period whereas R&M expenses (Civil and Electrical) has been allocated by Authority based on the notional ratio of 90:10. By reallocating to a notional ratio AAI will be losing on two counts, one by allocation in 90:10 ratios instead of actual ratio and by further restricting the R&M expenses to 6% of RAB.

AAI requests AERA to consider Allocation ratio of expenses as per submitted in MYTP for TCP.

Para 3.7.19 & 3.7.20 of CP

AERA has reduced the allocation of Payroll Allowances of CHQ expenses to AAI by 20% on account of support to ANS, Cargo and Commercial at RHQ and inclusion of JVC employee cost. AAI has been submitting to AERA to reconsider the reduction in allocation from 20% to 5%.

AERA vide para 4.7.4 of CP 04/2023-24 has stated that a portion of JVC employees costs were to be paid by DLAL as per OMDA whose facts/details have not been provided by AAI.

Further, AERA has reduced the allocation of CHQ/RHQ Administration and General expenses to the tune of 33% for the 3rd control period. (FY 2021-22 to FY 2025-26). It is worthwhile to mention here that AAI has already consider 5% reduction while allocating the CHQ/RHQ expenditure and reducing further



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33% by AERA for the 3rd control period respectively is on the higher side. AAI has engaged the Institute of Cost Accountants (ICMA) (on direction of AERA) to study the methodology CHQ/RHQ allocations. The report will be submitted to AERA soon.

Apportionment of Admin. & General exp of CHQ/RHQ in 3 rd Control Period						
Year	2021-22	2022-23	2023-24	2024-25	2025-26	TOTAL
AAI (Table 45) [A]	32.70	34.33	36.05	37.85	39.74	180.67
AERA (Table 49)	21.88	22.98	24.12	25.33	26.60	120.91
Difference	10.82	11.35	11.93	12.52	13.14	59.76
%	33	33	33	33	33	33

AERA is requested to relook into the allocation of CHQ/RHQ expenses.

Other Stakeholders' comments on Operation and Maintenance Expenses for the Third Control Period

9.3.3 FIA has commented the following:

Para 9.2.11 of CP

"While we are in agreement with AERA that AAI should increase the Power recovery charges from Concessionaires, SIA is requested to constitute committee to verify the bills relating to Power expenses and submit a report on the same to AERA, for greater transparency.

Para 9.2.15 of CP

While we appreciate the rationalisation by AERA of each line item on the submitted O&M expenses by SIA, however at the same time, we request AERA to not provide such huge jump in (i) Upkeep Expenses; ii) Administration & General Expenses – Excluding CHQ/RHQ and upkeep expenses, and (iii) Admin. & Other Expenses –CHQ/RHQ.

Further, it is submitted that, AERA in its order no.14/2017-18 dated 30th October 2017 for determining aeronautical tariff for Second Control Period ('Second Control Period Order') under para 14.14, had expected AAI to reduce the O&M expenses in the upcoming control periods for SIA. However, as per para 9.2.1 of the CP, it is observed that the O&M expenses for the Third Control Period are 104% higher than the O&M expenses of Second Control Period.

Further, in para 14.13 of the Second Control Period Order, AERA had proposed to undertake an independent study to assess the reasonableness of the O&M expenses, which will further be applicable for the true up process for the Third Control Period. However, no such study has been conducted to understand the incremental growth of O&M expenses.

In view of the aforementioned reasons, we request AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the Third Control Period.

FIA further submits that while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not be prudent considering the significant losses incurred by the aviation sector."



9.3.4 IATA has commented the following:

O&M and CAPEX

"IATA commends AERA for the level of scrutiny of the proposal by AAI for Srinagar Airport in key areas such as O&M expenses and capital expenses with the common aim to ensure that they are at optimal levels without unduly burdening the airport users."

9.4 AAI's responses to other stakeholders' comments on Operation and Maintenance Expenses for the Third Control Period

9.4.1 AAI has responded to FIA's comments as under

"O&M Expenses are incurred based on the operation requirement / needs at the Airport. Compromising of O&M expenses can affect the performance standards and quality of running the airport. AERA is restricting the same to just 6% of the Net RAB which AAI is contesting as it is not possible to maintain such high-end equipment's and terminal building etc. at maintenance cost of just 6% of opening RAB."

9.4.2 AAI has responded to IATA's comments as under

"Capping of R&M expenses to 6% of opening RAB has no basis nor reasonable justification. Restricting the expenses may lead to compromise in the safe operations / performance standards as the airport operator would be constrained not to incur expenses beyond what is allowed."

9.5 Authority's analysis on Stakeholders' comments regarding Operation and Maintenance Expenses for the Third Control Period

9.5.1 The Authority has noted the comments of AAI on capping of R&M expenses.

In this regard, the Authority would like to state that it had allowed snow clearing expenses of ₹ 5.54 Crores for the Third Control Period (which is apart from the R&M expenses rationalised by the Authority to the extent of 6% of opening RAB of each tariff year), as these expenses are peculiar to Srinagar Airport due to the unusual climatic conditions.

However, the Authority had rationalised the R&M expenses by limiting it to 6% of Opening RAB, based on its experience with similar sized airports and is also of the view that, as Srinagar Airport has a blend of new and old assets, the overall R&M expenses is expected to be lesser than that claimed by AAI.

Based on the above factors, the Authority is of the view that its proposal already stated at the Consultation stage (refer para 9.2.9 of this Tariff Order) is reasonable and justified and hence, sees no reason to deviate from its stand taken at the Consultation stage.

9.5.2 The Authority notes AAI's comments, explanation and the illustration given by AAI for annual growth in Payroll Expenditure. It is observed that in its calculation, AAI has considered an increase of 10% of DA in one year, which is not the realistic figure. Further, the Authority notes that in the past AAI had claimed only 5% growth in Payroll expenses for Pune International Airport.

Based on the above factors, the Authority decides to consider a growth rate of 6% year on year in payroll expenses for the Third Control period, as considered for other similar AAI Airports and PPP airports.

Further, the above growth rate in payroll expenses, was proposed by the Authority at the Consultation stage, with the perspective of rationalising the O&M expenses of Srinagar Airport.

9.5.3 The Authority has considered the Terminal Building ratio of 90:10, in accordance with the recommendations of IMG norms (which has recommended the Non-aeronautical area within the terminal building for airports having passenger traffic of less than 10 MPPA to be in the range of 8% to 12% of the total terminal area) and the ratio considered by AERA in the past for other similar airports of AAI.

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Further, the Authority notes that the Terminal Building ratio approved in the Tariff Order for the Second Control Period (Order No. 14/ 2017-18) for Srinagar International Airport was 90:10 and therefore the Authority is not replacing this ratio.

Based on the above factors, the Authority sees no reason to deviate from its proposal given at the Consultation stage.

9.5.4 The Authority has noted the comments of AAI on allocation of CHQ/ RHQ expenses to Srinagar Airport and has provided the detailed analysis under para 4.7.8.

9.5.5 With respect to FIA's comments on Power recovery charges, the Authority would like to state that through its Independent Consultant, the Authority has verified the Power expenses of AAI and the amount recovered from the Concessionaires from the books of account maintained by AAI.

As proposed at the Consultation stage, the Authority may decide to consider power recoveries of AAI at a notional rate of 25%, while determining tariff for the next Control Period.

9.5.6 The Authority has noted comments of FIA with respect to rationalisation of O&M expenses.

The Authority would like to emphasize that it has examined in detail each component of the O&M expenses submitted by AAI for Srinagar Airport, with respect to essentiality and reasonableness and has considered only the O&M expenses that are needed for meeting the operational requirements of the Airport.

It is also pertinent to note that there are several factors such as inflation, ageing of assets and increase in capacity, which have an impact on various O&M expenses.

Based on the above factors, the Authority has rationalised the various components of O&M expenses submitted by AAI for Srinagar Airport for the Third Control period.

Regarding FIA's comment on conducting an independent study, the Authority reiterates that such studies are conducted based upon the size of the Airport, its scale of operations, level of complexities etc. Srinagar being a small airport, the Authority had decided to accomplish this exercise in-house.

9.5.7 AERA acknowledges the views of IATA about the building blocks such as CAPEX and O&M.

9.5.8 The Authority has adjusted Upkeep expenses towards inflationary effect based on inflation rates as per Table 57.

9.5.9 Based on the above factors, the Authority has derived the Aeronautical O&M expenses, which it decides to consider for Srinagar International Airport for the Third Control Period, which is as follows:

Table 64: O&M expenses decided by the Authority for Srinagar International Airport for the Third Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2021-22*	2022-23*	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	10.06	10.72	11.36	12.05	12.75	56.94
Payroll Costs - CHQ/RHQ	0.29	0.31	0.32	0.34	0.36	1.62
Repair & Maintenance	6.34	5.92	5.52	6.78	6.28	30.84
Utilities & Outsourcing Expenses	5.04	5.20	5.36	5.53	5.70	26.83
Upkeep Expenses	1.99	2.18	2.18	2.27	2.36	10.98

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Particulars	FY	FY	FY	FY	FY	Total
	2021-22*	2022-23*	2023-24	2024-25	2025-26	
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	1.84	2.48	2.68	2.90	2.69	12.59
Admin. & Other Expenses - CHQ/RHQ	28.43	29.85	31.35	32.91	34.56	157.10
Other Outflows	0.10	0.13	0.13	0.15	0.17	0.68
Total O&M Expenditure	54.09	56.79	58.91	62.93	64.86	297.58

*The Authority has considered the Actual expenses for FY 2021-22 and FY 2022-23.

9.5.10 Based on the above factors, the Authority decided the following growth rates in Operation & Maintenance (O&M) expenses for Srinagar international Airport for the remaining tariff years of the Third Control Period:

Table 65: Growth Rates in O&M Expenses decided by the Authority for the Third Control Period

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Payroll Costs - Excluding CHQ/RHQ	-	-	6%	6%	6%
Payroll Costs - CHQ/RHQ	-	-	5%	5%	5%
Utilities & Outsourcing Expenses	-	-	3%	3%	3%
Upkeep Expenses	-	-	0.10%	4%	4%
Administration & General Expenses - Excluding CHQ/RHQ and Upkeep expenses	-	-	10%	10%	10%
Administration & General Expenses - CHQ/RHQ	-	-	5%	5%	5%

9.6 Authority's decisions regarding Operation and Maintenance expenses for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to O&M expenses for the Third Control Period.

9.6.1 To consider O&M expenses for the Third Control Period for Srinagar Airport as per Table 64.

9.6.2 To consider the O&M expenses incurred by AAI during the Third Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period

10 NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD**10.1 AAI's submission of Non-Aeronautical Revenue for the Third Control Period for Srinagar International Airport**

10.1.1 AAI had forecasted revenue from services other than Aeronautical services for Srinagar International Airport as below:

Table 66: Non-aeronautical revenue projections submitted by AAI for Srinagar International Airport

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
1. Passenger related revenue						
Restaurant / snack bars	1.65	2.40	2.64	2.90	3.19	12.79
T.R. stall	1.13	1.35	1.48	1.63	1.79	7.38
Hoarding & display	1.19	2.63	2.89	3.18	3.50	13.39
Car parking	0.27	0.32	0.35	0.39	0.43	1.75
Admission tickets	0.06	0.06	0.07	0.08	0.08	0.35
Other Misc. Income	0.53	0.55	0.58	0.61	0.64	2.90
2. Other Revenue						
Building (residential)	0.00	0.00	0.00	0.00	0.01	0.01
Building (non-residential)	3.06	3.29	3.53	3.80	4.08	17.75
Total	7.89	10.60	11.55	12.58	13.72	56.33

10.1.2 The growth rates assumed by AAI have been presented in the table below.

Table 67: Growth rates assumed by AAI for Srinagar International Airport for Non-aeronautical revenue

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
1. Passenger related revenue					
Restaurant / snack bars	-54.25%	45.44%	10.00%	10.00%	10.00%
T.R. stall	59.82%	18.68%	10.00%	9.99%	10.00%
Hoarding & display	-12.09%	120.01%	10.00%	10.00%	10.00%
Car parking	36.80%	18.47%	9.99%	10.02%	9.99%
Admission tickets	10.00%	10.00%	10.00%	10.00%	10.00%
Other Misc. Income	5.00%	5.00%	5.00%	5.00%	5.00%
2. Other Revenue					
Building (residential)	10.00%	10.00%	10.00%	10.00%	10.00%
Building (non-residential)	133.32%	7.50%	7.50%	7.50%	7.50%

10.2 Authority's examination of Non-aeronautical revenue for the Third Control Period at Consultation Stage

10.2.1 The Authority noted that AAI's projection of Non-aeronautical revenues for the Third Control Period for Srinagar Airport (₹ 56.33 Crores) was lesser than the actual revenue reported by Srinagar Airport for



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true up of the Second Control Period (which is at ₹ 68.71 Crores).

While examining the same, the Authority noted that Srinagar International Airport is a Hard Station Airport, which has only minimal international traffic. Further, there was no prospect of any major growth happening at the Airport to attract more passengers, whereby, no significant increase in the Non-aeronautical revenues had been projected by AAI for Srinagar International Airport for the Third Control Period.

10.2.2 The Authority had considered the actual Non-aeronautical revenues for FY 2021-22 and FY 2022-23 up to February, 2023 (as NAR of FY 2022-23 was considered as a basis for projecting Non-aeronautical revenues for the remaining tariff years of the Third Control Period).

10.2.3 Further, the Authority noted that the projections towards Operation and Maintenance expenses for the Third Control Period had increased substantially, as compared to the Non-aeronautical revenues. The Authority wanted the stakeholders to comment on the above aspect.

Revenue from Passenger related services

10.2.4 Considering the positive outlook of the GDP growth predicted by the GoI, increase in the consumer spending pattern and passenger traffic, the Authority proposed to consider a growth rate of 15% in the revenues from Passenger related revenue (Trading Concessions) for FY 2023-24 to FY 2025-26.

10.2.5 The Authority had considered actual Non-Aeronautical revenue for the FY 2021-22 and for FY 2022-23 (YTD February 2023) for determining Non-aeronautical revenue for the Third Control Period.

Other revenue – Rent and Services

10.2.6 The Authority noted that AAI had assumed 10% Y-O-Y increase in revenue from Building (residential) and 7.5% Y-O-Y increase in revenue from Building (Non-residential). The Authority proposed to consider the same for determining NAR for the Third Control Period for Srinagar International Airport. Further, the Authority had considered the actual revenue for the FY 2021-22 and for FY 2022-23 (YTD February 2023), as mentioned in para 10.2.5.

10.2.7 Based on the Authority's examination, the NAR determined for Srinagar International Airport for the Third Control Period had been presented in the table below:

Table 68: Non-aeronautical revenues proposed by the Authority for Srinagar International Airport for the Third Control Period at Consultation Stage

(₹ Crores)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
1. Passenger related revenue						
Restaurant / snack bars	1.29	4.44	5.11	5.87	6.76	23.47
T.R. stall	1.26	2.94	3.38	3.89	4.48	15.95
Hoarding & display	1.49	2.78	3.19	3.67	4.22	15.35
Car parking	0.28	0.55	0.63	0.73	0.83	3.02
Admission tickets	0.03	0.01	0.02	0.02	0.02	0.10
Other Misc. Income	1.05	1.02	1.17	1.35	1.55	6.13
2. Other revenue						
Building (residential)	0.00	0.00	0.00	0.00	0.00	0.01
Building (non-residential)	2.21	2.23	2.40	2.58	2.77	12.19
Total	7.61	13.97	15.90	18.11	20.63	76.22

* The Authority had considered the actual revenue for the FY 2021-22 and for FY 2022-23



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10.2.8 The revised growth rates as per Authority's examination had been presented in the table below:

Table 69: Growth rates in Non-aeronautical revenue proposed by the Authority at Consultation Stage

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26
1. Passenger related revenue					
Restaurant / snack bars	-	-	15.00%	15.00%	15.00%
T.R. stall	-	-	15.00%	15.00%	15.00%
Hoarding & display	-	-	15.00%	15.00%	15.00%
Car parking	-	-	15.00%	15.00%	15.00%
Admission tickets	-	-	15.00%	15.00%	15.00%
Other income	-	-	15.00%	15.00%	15.00%
2. Other Revenue					
Building (residential)	-	-	10.00%	10.00%	10.00%
Building (non-residential)	-	-	7.50%	7.50%	7.50%

* Growth rates have not been derived for FY 2021-22 and FY 2022-23, as the NAR for these years have been considered based on actuals.

10.3 Stakeholders' comments on Non-aeronautical revenue for the Third Control Period

10.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to True up for Second Control Period. The comments by stakeholders are presented below:

AAI's comments on Non-aeronautical revenue for the Third Control Period

10.3.2 AAI has commented the following:

AAI has considered 10% growth for all the segment of Non-Aero revenue from FY 2023-24 to FY 2025-26, except for building Non-residential wherein growth rate of 7.5% YoY basis. Total Non-Aero revenue has been projected by AAI for 3rd control period amounting to Rs.56.33 crores keeping the annual escalation and other factors into consideration.

In view of above, AERA is requested to consider the growth rate 10% instead of 15% to make the Target more realistic since all the existing Non-Aero Revenue contracts are on fixed license fees and not based on passenger throughput.

Other Stakeholders' comments on Non-aeronautical revenue for the Third Control Period

10.3.3 FIA has commented the following:

Para 10.2 and 10.2.3 of CP

It is observed that the Non-Aeronautical Revenues ('NAR') projected by AAI is substantially low / conservative. It is requested that AAI explores all avenues to maximise revenue from the utilisation from the expansion of terminal building for non-aeronautical purposes.

As noted by AERA itself, in para 10.2.1 of the CP, AAI's projection of NAR for the Third Control Period for SIA (₹56.33 Crores) is lesser than the actual revenue reported by SIA for true up of the Second Control Period (which is at ₹68.71 Crores).

There appears to be scope of considerable improvement in increasing the NAR, especially since the



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airport has already surpassed its capacity of 2.5 MPPA and is currently doing approx. 4.5 MPPA. The projections for the NAR should be a function of the increase in O&M expenses for the Third Control Period.

Despite SIA being a hard station, we should consider the upcoming developments in the state that are attracting tourists to visit the city freely. The successful completion of the current G20 summit is also expected to provide a significant boost to air traffic to the city, which is projected to rise by 8% year on year (YOY), refer 5.2.12 of the CP. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically. Now, it is up to SIA to explore ways to increase the NAR at the airport. Hence, it is requested that AAI explores all avenues to maximise revenue from the utilisation from the expansion of terminal building for non-aeronautical purposes.

Accordingly, we request AERA to mandate AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at SIA.

We further request AERA to kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the Third Control Period.

Without prejudice to the above, we submit that increase in NAR is the function of increase in terminal building area (whenever applicable) passenger traffic growth, inflationary increase and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projected for the Third Control Period by AAI, it is noted by the airport operator with a conservative approach.

AERA is requested to ensure no adjustments are proposed to NAR which are not dependent on traffic but are derived from agreements with concessionaires.

In view of the above, we request AERA to allow higher NAR being not less than 50% of the projected O&M expenses for AAI, or higher, as approved by AERA in other similar airports such as Chennai, Pune and Kolkata with more than 50% of the non-aeronautical revenue."

10.4 AAI's responses to other stakeholders' comments on Non-aeronautical revenue for the Third Control Period

10.4.1 AAI has responded to FIA's comments as under

"It is to mention that the existing contracts are awarded at SIA Airports are on fixed Licence fee and not based on passenger throughput. Hence any increase in passenger throughput will not increased the non-aeronautical revenue

AAI has projected growth of 10% y-o-y basis whereas AERA has as considered growth of 15% y-o-y considering growth in passenger.

AAI is making efforts to identify more areas for Non-aero revenue without compromising on the free movement of passengers at the airport."

10.5 Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue for the Third Control Period

10.5.1 The Authority has noted the comments of AAI on NAR. The Authority had taken cognizance of the fact, at the Consultation stage, that Srinagar Airport is a Hard Station Airport, which has only minimal international traffic and there is no prospect of any major growth happening at the Airport to attract more passengers. Therefore, no significant increase in the Non-aeronautical revenues had been projected by AAI for Srinagar International Airport for the Third Control Period (refer para 10.2.1 of this Tariff Order)



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The Authority has rationalized the traffic forecast for the Third Control Period for Srinagar International Airport, based on the analysis of the trend in the passenger traffic for the period from April 2023 to July 2023 (refer para 5.5.1 of this Tariff Order).

Accordingly, the Authority has rationalised the NAR projections for the Third Control Period by considering growth in NAR (passenger related revenue) of 15% (of which 12% pertains to growth in traffic and 3% towards inflationary effect) only for the last 2 tariff years, as against that proposed at the Consultation stage (wherein 15% Y-o-Y growth had been considered for the last 3 tariff years of the Third Control Period).

10.5.2 Regarding FIA's comment on Non-aeronautical revenue, the Authority would like to state that it had already increased NAR of Srinagar Airport, based on traffic forecast at the Consultation stage.

However, based on the analysis of the trend in the passenger traffic for the period from April 2023 to July 2023 (refer para 5.5.1 of this Tariff Order), the Authority has rationalised the traffic forecast for the Third Control Period for Srinagar International Airport.

Accordingly, the Authority has rationalised the NAR projections for the Third Control Period by considering growth in NAR (passenger related revenue) of 15% only for the last 2 tariff years, as against that proposed at the Consultation stage (wherein 15% Y-o-Y growth had been considered for the last 3 tariff years of the Third Control Period).

With respect to FIA's comments on conducting an independent study, the Authority hereby emphasizes that such studies are conducted based on the size of the Airport, scale of operations, level of complexities etc. Srinagar, being a small airport with lesser complexities, the Authority decided to perform this exercise in-house.

10.5.3 Based on the above factors, the Authority had derived the Non-aeronautical revenue, which it decides to consider for Srinagar International Airport for the Third Control Period, which is as follows:

Table 70: Non-aeronautical revenues decided by the Authority for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
1. Passenger related revenue						
Restaurant / snack bars	1.29	4.44	4.44	5.11	5.87	21.15
T.R. stall	1.26	2.94	2.94	3.38	3.89	14.42
Hoarding & display	1.49	2.78	2.78	3.19	3.67	13.91
Car parking	0.28	0.55	0.55	0.63	0.73	2.74
Admission tickets	0.03	0.01	0.01	0.02	0.02	0.10
Other Misc. Income	1.05	1.02	1.02	1.17	1.35	5.60
2. Other revenue						
Building (residential)	0.00	0.00	0.00	0.00	0.00	0.01
Building (non-residential)	2.21	2.23	2.40	2.58	2.77	12.18
Total	7.61	13.97	14.14	16.08	18.30	70.10

*The Authority had considered the actual revenue for the FY 2021-22 and for FY 2022-23

10.5.4 Based on the above factors, the Authority decided the following growth rates in Non-Aeronautical



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revenue for Srinagar international Airport for the remaining tariff years of the Third Control Period:

Table 71: Growth rates in Non-aeronautical revenue decided by the Authority for the Third Control Period

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26
1. Passenger related revenue					
Restaurant / snack bars	-	-	0.00%	15.00%	15.00%
T.R. stall	-	-	0.00%	15.00%	15.00%
Hoarding & display	-	-	0.00%	15.00%	15.00%
Car parking	-	-	0.00%	15.00%	15.00%
Admission tickets	-	-	0.00%	15.00%	15.00%
Other income	-	-	0.00%	15.00%	15.00%
2. Other Revenue					
Building (residential)	-	-	0.00%	10.00%	10.00%
Building (non-residential)	-	-	7.50%	7.50%	7.50%

* Growth rates have not been derived for FY 2021-22 and FY 2022-23, as the NAR for these years have been considered based on actuals.

10.6 Authority's decisions regarding Non-aeronautical revenues for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Non-aeronautical revenue for the Third Control Period.

- 10.6.1 To consider Non-aeronautical revenues for the Third Control Period for Srinagar Airport in accordance with Table 70.
- 10.6.2 To consider actual Non-aeronautical revenues for the Third Control Period for Srinagar Airport, while determining tariff for the Fourth Control period

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11 TAXATION FOR THE THIRD CONTROL PERIOD

11.1 AAI's submission of Taxation for the Third Control Period for Srinagar Airport

11.1.1 AAI had calculated the revenue generated from regulated services, Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per income tax. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The Aeronautical taxes submitted by Srinagar International Airport are shown in the table below:

Table 72: Tax Expense submitted by AAI for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Aeronautical Revenue with Revised Rates	66.90	105.88	195.77	273.33	371.51	1,013.38
O&M expenses	70.15	75.65	81.04	89.22	96.36	412.41
Interest on working capital	-	-	-	-	-	-
Depreciation	8.35	9.65	11.54	21.99	30.32	81.85
Profit Before Tax	(11.60)	20.58	103.18	162.12	244.84	519.12
Set-off of prior period tax losses	-	(20.58)	(103.18)	(22.17)	-	(145.93)
PBT after set-off of prior period losses	(11.60)	-	-	139.95	244.84	373.19
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	-	-	35.23	61.63	96.85

11.2 Authority's examination of Taxation for the Third Control Period at Consultation Stage

11.2.1 The Authority noted that Srinagar International Airport had calculated income tax based on the projected Aeronautical revenues. The Authority had re-computed the taxes based on the revised regulatory blocks for the Third Control Period proposed in the previous chapters. The following table summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

Table 73: Taxation proposed to be considered by the Authority for the Third Control Period at Consultation Stage

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Aeronautical Revenue (refer Table 82)	66.90	92.68	149.28	274.50	316.73	900.09
O&M expenses (refer Table 62)	47.54	49.92	51.77	55.41	56.94	261.57
Depreciation	8.28	7.32	8.53	9.53	11.82	45.48
Profit Before Tax	11.08	35.44	88.98	209.56	247.98	593.04
Set-off of prior period tax losses*	(11.08)	(35.44)	(48.13)	0.00	0.00	(94.64)
PBT after set-off of prior period tax losses	0.00	0.00	40.86	209.76	247.98	498.60
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0.00	0.00	10.28	52.75	62.42	125.45

*Prior period losses pertain to those incurred during FY 2015-16 to FY 2020-21.

11.3 Stakeholders' comments regarding Taxation for the Third Control Period

11.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various



stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to Taxation for the Third Control Period. The comments by stakeholders are presented below:

AAI's comments regarding Taxation for the Third Control Period

11.3.2 AAI has commented the following:

Para 4.8 & 11.2 of CP

AERA has neither considered the ARR of 2020-21 nor the impact of compounding for the FY 2020-21. However, AERA has offset the loss of Rs.27.09 Crores for the FY 2020-21 in the third control period. It is surprising to observe that while the entire FY 2020-21 has not been considered at all by AERA in the tariff workings, whereas only the loss of FY 2020-21 has been considered to be offset in the TCP.

Hence, AERA is requested to not carry forward the Prior period losses of 2020-21 to TCP and follow a single logical approach

11.4 Authority's analysis on Stakeholders' comments regarding Taxation for the Third Control Period

11.4.1 The Authority has noted the comments of AAI with respect to carry forward of the prior period loss of FY 2020-21. As stated in para 1.2.4 of this Tariff Order, the Under/ Over recovery of FY 2020-21 has been excluded for the purpose of determination of true up of the Second Control Period of Srinagar International Airport. Therefore, the Authority has decided not to carry forward the prior period loss of FY 2020-21 to the Third Control Period, while determining Aeronautical Taxes for the Third Control Period of Srinagar International Airport.

11.4.2 Based on the Aeronautical revenue determined by the Authority for the Third Control Period for Srinagar International Airport, revised O&M expenses, revised Tax Depreciation, the Authority has re-computed Aeronautical Taxation which it decides to consider for the Third Control Period.

Table 74: Taxation decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Aeronautical Revenue (refer Table 83)	66.90	92.68	145.04	245.82	300.14	850.57
O&M expenses (refer Table 64)	54.09	56.79	58.91	62.93	64.86	297.58
Depreciation	8.28	7.32	8.53	9.53	11.81	45.47
Profit Before Tax	4.53	28.57	77.60	173.36	223.47	507.53
Set-off of prior period tax losses*	(4.53)	(28.57)	(34.54)	0.00	0.00	(67.64)
PBT after set-off of prior period tax losses	0.00	0.00	43.07	173.36	223.47	439.89
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0.00	0.00	10.84	43.63	56.25	110.72

*Prior period losses pertain to those incurred during FY 2015-16 to FY 2019-20.

11.5 Authority's decisions regarding Taxation for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Tax Expense for the Third Control Period.

- 11.5.1 To consider the Taxation for the Third Control Period for Srinagar Airport as per Table 74.
- 11.5.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.



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12 QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

12.1 AAI’s submission of Quality of Service for the Third Control Period for Srinagar Airport

12.1.1 Srinagar International Airport had not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available in AAI’s website (station-wise).

12.2 Authority’s examination regarding Quality of Service for the Third Control Period at Consultation Stage

12.2.1 The Authority noted that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall “*monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf.*”
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration “*the service provided, its quality and other relevant factors.*”

12.2.2 The Authority noted from AAI’s website that the ACI ASQ survey results for Srinagar International Airport for the years 2018 to 2022 have been in the range of 4.30 to 4.83 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72.

Table 75: ASQ rating for Srinagar International Airport for the years 2018-2020

Calendar Year (CY)	ASQ rating
2018	4.68
2019	4.36
2020	4.83
2021*	-
2022	4.30
2023 (Q1)	4.52

* ASQ survey was not conducted during the year 2021.

12.2.3 The Authority noted that the ASQ rating awarded to Srinagar International Airport was quite close to the average rating of the AAI airports.

12.2.4 Also, the Authority reviewed the MoU between AAI and MoCA for the FY 2019-20 and noted that the ASQ rating target for FY 2019-20 was 4.68. The actual ASQ rating achieved by Srinagar International Airport for CY 2019 was 4.36.

12.2.5 The Authority did not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by Srinagar International Airport.

12.3 Stakeholders’ comments on Quality of Service for Third Control Period

12.3.1 During the stakeholders’ consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to Quality of Service for the Third Control Period. The comments by stakeholders are presented below:



Other Stakeholders' comments on Quality of Service for Third Control Period

12.3.2 FIA has commented the following:

Para 12.2.4 of CP

"It is noted that the actual ASQ rating achieved by SLA for CY 2019 was 4.36 as compared to target of 4.68 as per the MoU with MoCA for the FY 2019-20. It is also noted that the ASQ rating achieved for CY 2023 (Q1) was 4.52, which is also below the target of 4.68 as per the MoU with MoCA. We request AERA to kindly take note of the same, and implement corrective measures, if any, as per the MOU for the same."

12.3.3 IATA has commented the following:

Service Quality Levels

"We also call for AAI to adhere to AERA's guidelines in relation to the quality-of-service parameters and benchmarks. The guideline has very clear requirements on both subjective and objective parameters. While most regulated airports have complied with the subjective measurement requirement by conducting the ASQ surveys, we don't have visibility if and how the objective measurement requirement per AERA's guideline is being complied with. The guideline clearly defined the measures and benchmarks/targets with details of the rebate mechanism if the expected service levels are not met. We call on AERA to ensure adherence to these requirements."

12.4 AAI's responses to other stakeholders' comments on Quality of Service for Third Control Period

12.4.1 AAI has responded to FIA's comments as under

"AAI has been consistently trying to improve the quality of service at the airport."

12.4.2 AAI has responded to IATA's comments as under

"AAI has been following AERA's guidelines on service quality levels."

12.5 Authority's analysis on Stakeholders' comments regarding Quality of Service for the Third Control Period

12.5.1 AERA has noted the comments of FIA and IATA on ASQ rating of Srinagar Airport:

The Authority notes that Srinagar Airport had achieved 4.83 in the Calendar Year (CY) 2020 and the same had come down to 4.30 in the CY 2022, due to the impact of COVID -19 pandemic. Further, it is pertinent to note that for Srinagar being a Hard station Airport, it is difficult to fulfill all the parameters on Airport Service Quality assessment throughout the year. However, in the 1st quarter of CY 2023, it had regained its rating to 4.52.

As the ASQ rating is only marginally lesser than the target rating of 4.68, AERA decides not to consider any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by Srinagar International Airport.

12.6 Authority's decisions regarding Quality of Service for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Quality of Service for the Third Control Period:

12.6.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service.



13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

13.1 AAI's submission of Aggregate Revenue Requirement for the Third Control Period for Srinagar Airport

13.1.1 AAI had submitted ARR and Yield per Passenger (YPP) for the Third Control Period as per the regulatory building blocks discussed.

13.1.2 The summary of ARR and YPP has been presented in the table below.

Table 76: ARR submitted by AAI for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Average RAB	84.36	93.08	105.78	195.27	276.04	754.53
Fair Rate of Return	14%	14%	14%	14%	14%	14%
Return on average RAB	11.81	13.03	14.81	27.34	38.65	105.64
Return on average RAB for Financing Allowance	0.03	0.03	0.03	0.03	0.02	0.14
O&M expenses	62.97	67.44	71.76	76.59	81.03	359.79
Depreciation	7.17	8.20	9.29	12.63	15.33	52.62
Tax expense	-	-	-	35.23	61.63	96.85
Less: 30% NAR	2.37	3.18	3.46	3.77	4.11	16.90
ARR per year (₹ Crores)	79.62	85.53	92.42	148.03	192.54	598.14
Discount factor (@ 14%)	1	0.88	0.77	0.68	0.59	
PV of ARR	79.62	75.27	71.16	100.66	113.60	440.31
Sum Present value of ARR (₹ Crores)	440.31					
Add: True up shortfall of Second Control Period claimed by AAI	523.42					
Total Traffic (million passengers)	9.46					
Yield per passenger (YPP) (₹)	1,014.46					

13.2 Authority's examination of Aggregate Revenue Requirement (ARR) for the Third Control Period at Consultation Stage

13.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the table above, the Authority proposes as follows:

- To consider the average RAB in accordance with Table 43.
- To consider the FRoR in accordance with Table 54.
- To consider the Depreciation as per Table 41.
- To consider the O&M expenses as per Table 62.
- To consider the Tax expense as per Table 73.
- To consider the Non-aeronautical revenue as per Table 68.



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

- To consider True up of Second Control Period as per Table 25.
- To consider the total traffic in accordance with Table 30.

13.2.2 After considering the above, the Authority proposes the following ARR and YPP, as presented in the table below.

Table 77: ARR proposed to be considered by the Authority for the Third Control Period at Consultation Stage

(₹ Crores)

Particulars	Table Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB (A)	42	83.05	77.26	84.47	90.78	106.20	
Fair Rate of Return (B)	53	12.88%	12.88%	12.88%	12.88%	12.88%	
Return on average RAB (C) = A*B		10.70	9.957	10.88	11.70	13.68	56.92
Depreciation (D)	40	7.05	7.08	7.69	8.65	8.79	39.26
O&M expenses (E)	61	47.54	49.92	51.77	55.41	56.94	261.57
Tax expense (F)	72	0.00	0.00	10.28	52.75	62.42	125.45
ARR per year = SUM (C:F)		65.29	66.95	80.62	128.51	141.83	483.20
Shortfall carried forward from Second Control Period	24	383.76					
Gross ARR (G)		449.05	66.95	80.62	128.51	141.83	866.96
NAR	67	7.61	13.97	15.90	18.11	20.63	76.22
Less: 30% NAR (H)		2.28	4.19	4.77	5.43	6.19	22.87
Net ARR = (G-H)		446.77	62.76	75.85	123.07	135.64	844.10
Discount factor (@ 12.91%)		1	0.89	0.78	0.70	0.62	
PV of ARR (₹ Crores)		446.77	55.60	59.53	85.56	83.53	730.98
Sum Present value of ARR (₹ Crores)				730.98			730.98
Total Traffic (million passengers)	29			24.23			24.23
Yield per passenger on Total Traffic (YPP) (₹)				301.64			301.64
Departing passenger				12.12			12.12
Yield per Departing Passenger (₹)				603.28			603.28

13.3 Stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Third Control Period

13.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/ 2023-24 with respect to Aggregate Revenue Requirement (ARR) for the Third Control Period. The comments by stakeholders are presented below:

AAI's comments on Aggregate Revenue Requirement (ARR) for the Third Control Period

13.3.2 AAI has commented the following:

AAI submits to AERA to kindly recomputed the IDC, expenses capitalization, interest on working capital/Term Loan, non-aeronautical revenues, R&M and upkeep and other all other building blocks in



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

which there would be consequential changes/impact based on the points submitted in this document for tariff determination.

AAI requests AERA to implement the Airport Charges w.e.f 01.10.2023 after incorporating the submission of AAI in the full recovery model as proposed in TCP.

Effect of Compounding on TCP

AAI states that compounding factor should be considered as 1 in FY 2023-24 from year of implementation of proposed AERA Order and the total additional impact amounting to Rs. 21.60 Cr. to be considered is given as under: -

FY	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ARR	446.77	62.76	75.85	123.07	135.64	844.09
AERO Revenue	66.9	92.68	149.28	274.5	316.73	900.09
FROR					12.88%	
Discount Factor as per AERA	1.00	0.89	0.78	0.70	0.62	
Discount Factor as per AAI	1.27	1.13	1.00	0.89	0.78	
PV of Shortfall as per AERA	379.87	-26.51	-57.63	-105.28	-111.54	78.95
PV of Shortfall as per AAI	484.03	-33.77	-73.43	-134.15	-142.12	100.55
Difference	-104.16	7.27	15.80	28.87	30.58	21.60

Other Stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Third Control Period

13.3.3 FIA has commented the following:

Para 14.2.5 of CP

"Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.

It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs.

There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers.

The rates of royalty at the airport are as high as up to 15% for some services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.

In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of



the cost items.

Para 14.2.6 and 14.2.7 of CP

It is submitted that, AERA has noted that "Srinagar International Airport is a Civil Enclave airport, which has limitations on the timing of operations. Further, AAI has projected minimal International traffic for the current Control Period. The existing low traffic base is not sufficient to recover the ARR, which has resulted on account of higher O&M expenses projected for the current control period, the under-recovery pertaining to the First Control Period and the Second Control Period"

Thus, we appreciate that AERA in para 14.2.7 has considered to carry forward some portion of ARR to the next control period. However, we request AERA that, keeping in view the adverse impact on demand of air travel and concern for the financial health of the airlines as mentioned in this letter, tariffs may kindly not be increased for this control period."

13.4 AAI's responses to other stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Third Control Period

13.4.1 AAI has responded to FIA's comments as under

"The contract for non-aero facility at Srinagar International Airport are awarded on fixed Licence fees. There is no concept of royalty. Even if higher royalty would be paid to the operator it would add to amount of non-aeronautical revenue and cross subsidize the ARR, which is beneficial to the airlines/passengers.

AAI has requested AERA for full recovery of ARR in 3rd control period. Carryforward of shortfall to next control period will burden passengers in next control period as Terminal building has been projected in the next control period and a carry forward of ARR to next Control period will result in steep increase in tariff during fourth control period."

13.5 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for Third Control Period

13.5.1 The Authority has carefully examined the comments of AAI and FIA and dealt with them in the relevant chapters. The Authority has decided that the revised tariff should be implemented at Srinagar Airport with effect from October 1, 2023 and thereafter give a moderate increase in tariff in the remaining period of the Third Control Period with a view to not burden the airport users.

13.5.2 With respect to AAI's comment on compounding factor, the Authority would like to state that it has uniformly considered the compounding/ discounting factor as 1 for the 1st tariff year of the respective Control Period of each Airport (whether it is AAI Airport or PPP Airport).

Taking in to consideration, the impact of the discounting factor (by considering it as 1 for FY 2021-22), the Authority has determined the tariff rates for Srinagar Airport for the Third Control Period.

13.5.3 The Authority has noted the comments of FIA on Non-aeronautical revenue and Royalty and the counter response of AAI.

- i. The Authority has noted the issue of royalty fees and revenue share payable to Airport Operators by the Service Providers as a pass-through expenditure. It may be noted that the Authority has a separate tariff determination process for service providers providing Cargo, Ground Handling and Fuel Supply to aircraft where the royalty charges are addressed alongside a rigorous stakeholders' consultation process.
- ii. It may also be noted that the Royalty paid by the JSPPs to the Airport Operators are taken into account as Aeronautical revenue during the tariff determination process, thus helping the Airport



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

Users by reduction in the tariff.

13.5.4 With respect to FIA's comments on carry forward of ARR, the Authority also feels that targeting a full recovery, at this time may not be fair to all stakeholders and may dampen the stakeholders' efforts to revive aviation traffic. The Authority notes that the Airport Operator has the provision of the true up of any shortfalls in revenue recovery in the Fourth Control Period. Taking cognizance of AAI's comments regarding steep hike in the tariffs in the next Control Period and of FIA's comments regarding lowering of tariff which will be beneficial to passengers and airlines, the Authority has decided to carry forward a certain portion of the shortfall/ under-recovery to the next Control Period. Further, the Authority has decided to carry forward 19.49% of ARR (In NPV terms) to the next Control Period, keeping in view the following:

- Srinagar became a Major Airport vide MoCA Order No. S.O. 4606(E) dated November 05, 2021.
- Further, AAI has submitted the MYTP for the Third Control Period commencing from FY 2021-22 to FY 2025-26 for Srinagar International Airport on June 01, 2022 i.e. after a gap of six months from the date MoCA notified Srinagar Airport as a Major Airport, thereby resulting only in lesser tariff years being available for recovery of the ARR.
- Therefore, targeting a complete recovery of ARR in the Third Control Period, would require a significant increase in tariffs, which may not be fair to all stakeholders and may be counter-productive for the growth of the Aviation Industry.

In this regard, the Authority had drawn reference to the guiding principles issued by the International Civil Aviation Organization ("ICAO") on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users. The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/ masses. As per para 12 (c) of the NCAP, "In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future." The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated January 12, 2017.

Based on the above considerations, the Authority has decided to carry forward some portion of the ARR to the next Control Period in the harmonious interest of all the stakeholders chain including the Airport Operator.

13.5.5 Based on the above factors the Authority has re-computed ARR, which it decides to consider for Srinagar International Airport for the Third Control Period and the same is as follows:



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

Table 78: ARR decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	Table Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB (A)	48	83.05	77.26	84.47	90.78	106.13	
Fair Rate of Return (B)	55	12.89%	12.89%	12.89%	12.89%	12.89%	
Return on average RAB (C) = A*B		10.70	9.96	10.88	11.70	13.68	56.91
Depreciation (D)	47	7.05	7.08	7.69	8.65	8.78	39.26
O&M expenses (E)	64	54.09	56.79	58.91	62.93	64.86	297.58
Tax expense (F)	74	0.00	0.00	10.84	43.63	56.25	110.72
ARR per year = SUM (C:F)		71.85	73.82	88.33	126.91	143.57	504.48
Shortfall carried forward from Second Control Period as on March 31, 2022	26	401.17					
Gross ARR (G)		473.02	73.82	88.33	126.91	143.57	905.65
NAR	70	7.61	13.97	14.14	16.08	18.30	70.10
Less: 30% NAR (H)		2.28	4.19	4.24	4.82	5.49	21.03
Net ARR = (G-H)		470.74	69.63	84.08	122.09	138.08	884.62
Discount factor (@ 12.89%)		1	0.89	0.78	0.70	0.62	
PV of ARR (₹ Crores)		470.74	61.68	65.98	84.87	85.03	768.30
Sum Present value of ARR (₹ Crores)				768.30			768.30
Total Traffic (million passengers)	31			22.45			22.45
Yield per passenger on Total Traffic (YPP) (₹)				342.26			342.26
Departing passenger				11.22			11.22
Yield per Departing Passenger (₹)				684.52			684.52

13.5.6 Based on the concerns of AAI on various building blocks raised as part of the Stakeholders' comments, the Authority has analysed in detail and the following has been decided:

- i. As per further details submitted by AAI, CHQ/ RHQ allocation has been increased by ₹ 13.42 crores, in the Second Control Period and increased by ₹ 36.19 Cr. in the Third Control Period, resulting in total increase of ₹ 49.61 Cr.
- ii. Excluded the losses of ₹ 27.09 Cr. for the FY 2020-21, in the Third Control Period for tax computation, as requested by AAI.
- iii. After considering the justification given by AAI, the Authority has rationalized passenger traffic and aircraft movement for FY 2023-24 to FY 2025-26.
- iv. Rationalised NAR for the Third Control Period, by considering growth in NAR (passenger related revenue) of 15% (12% pertains to growth in traffic and 3% towards inflationary effect) only for the last 2 tariff years, as against that proposed for the last 3 tariff years of the Third Control Period, thereby resulting in reduction of NAR by ₹ 6.12 Cr.
- v. Considering the above factors and justification given by AAI, the NPV of ARR decided by the Authority for the Third Control Period is now ₹ 768.30 Cr., as against that proposed by the Authority at the Consultation stage, which was ₹ 730.98 Cr.

13.6 Authority's decisions regarding Aggregate Revenue Requirement (ARR) for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to ARR for the Third Control Period.

- 13.6.1 To consider the ARR and Yield for the Third Control Period for Srinagar Airport in accordance with Table 78.



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14 AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD**14.1 AAI's submission of Aeronautical Revenue for the Third Control Period for Srinagar Airport**

14.1.1 AAI had proposed to consider a Y-o-Y increase in Aeronautical Revenues based on the growth rates in Traffic as proposed by AAI for all the traffic related revenues i.e., Parking & Housing, UDF, Ground handling and CUTE revenues.

14.1.2 For revenues based on agreements i.e., Land lease from oil companies, AAI had proposed to consider the same revenue of FY 2020-21 for FY 2021-22, and a 7.5% growth increase YoY from FY 2022-23.

14.1.3 AAI had proposed to increase the Aeronautical tariffs with effect from October 1, 2021 as per the schedule below:

- **Parking charges** - For domestic and international ATM, AAI has proposed a one-time increase of 50% from the existing charges w.e.f. October 1, 2022 and thereafter by 10% year on year.
- **User Development Fee (UDF)** – AAI has proposed the following growth rates in UDF from the existing rates of ₹ 394 (Domestic) and ₹ 787 (International) for the Third Control Period.

Table 79: % Increase in UDF rates proposed by AAI

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Domestic UDF	0%	100%	46%	46%	46%
International UDF	0%	10%	5%	5%	5%

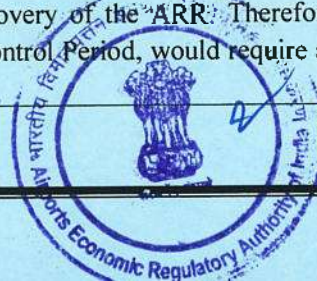
Table 80: Aeronautical revenue submitted by AAI for Srinagar International Airport for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Parking charges	0.08	0.10	0.15	0.18	0.20	0.71
UDF charges	62.39	101.26	216.83	348.23	542.89	1,271.60
Land Lease from Oil Companies	0.26	0.28	0.30	0.32	0.35	1.51
Ground Handling charges	0.46	0.12	0.13	0.14	0.14	0.98
CUTE charges	3.00	3.25	4.81	5.29	5.66	22.01
Revenue Share from AAICLAS	0.66	0.82	0.91	1.00	1.10	4.49
Extension of Watch Hours	0.04	0.04	0.05	0.06	0.08	0.28
Total Revenue	66.89	105.87	223.18	355.22	550.42	1,301.58

14.2 Authority's examination of Aeronautical Revenue for the Third Control Period at Consultation Stage

14.2.1 The Authority noted that Srinagar International Airport had been a Non-Major Airport during FY 2020-21 (as stated in para 1.2.4). It became a Major Airport vide MoCA's Order No. S.O. 4606(E) dated November 05, 2021. Further, AAI had submitted the MYTP for the Third Control Period commencing from FY 2021-22 to FY 2025-26 for Srinagar International Airport on June 01, 2022 i.e. after a gap of six months from the date MoCA notified Srinagar Airport as a Major Airport, thereby resulting only in lesser tariff years being available for recovery of the ARR. Therefore, the Authority noted that a complete recovery of ARR in the Third Control Period, would require a significant increase in tariffs,



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which may not be fair to all stakeholders and may be counter-productive for the growth of the Aviation Industry.

14.2.2 Based on the above analysis, the Authority proposed to revise the Parking charges and UDF in a progressive manner from FY 2023-24 w.e.f October 1, 2023.

14.2.3 The Authority proposed to allow the following tariff towards UDF for the Third Control Period for Srinagar International Airport.

Table 81: UDF charges proposed by the Authority for Srinagar Airport for the Third Control Period at Consultation stage

Passenger	FY 2021-22 (existing rates)	FY 2022-23 (existing rates)	FY 2023-24 (01.04.2023 to 30.09.2023)	FY 2023-24 (01.10.2023 to 31.03.2024)	FY 2024-25	FY 2025-26
Domestic (in ₹)	394	394	394	750	960	990
International (in ₹)	787	787	787	1,200	1,300	1,400

14.2.4 Also, the Authority proposed to consider a one-time increase of 50% in the Domestic and International Parking charges w.e.f. October 1, 2023 and increase by 10% thereafter, year on year till FY 2025-26.

14.2.5 The Authority had determined the Aeronautical revenue based with the proposed Aeronautical charges as follows:

Table 82: Aeronautical revenues and Shortfall proposed to be considered by the Authority for the Third Control Period at Consultation Stage

सत्यमेव जयते (₹ Crores)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total PV of ARR including true up (₹ in Crores) (a) (as per Table 77)	730.98					730.98
Aeronautical Revenue						
Parking Charges (₹ in Crores)	0.08	0.10	0.14	0.21	0.26	0.79
Land Lease - Oil Companies (₹ in Crores)	0.26	0.28	0.30	0.32	0.35	1.51
Ground handling charges (₹ in Crores)	0.46	0.14	0.16	0.18	0.20	1.14
CUTE charges (₹ in Crores)	3.00	4.19	6.19	6.93	7.76	28.06
Royalty from AAICLAS (₹ in Crores)	0.66	0.82	0.91	1.00	1.10	4.49
Extension of Watch Hours	0.04	0.05	0.06	0.07	0.09	0.32
UDF Domestic (₹ in Crores)	62.05	86.64	140.88	264.81	305.86	860.24
UDF International (₹ in Crores)	0.34	0.46	0.65	0.98	1.12	3.54
Total Revenue (b)	66.90	92.68	149.28	274.50	316.73	900.09
PV factor	1.00	0.89	0.78	0.70	0.62	
PV of Aero Revenue (c)	66.90	82.11	117.15	190.83	195.06	652.03
Σ PV Projected Aero Revenue (d)	652.03					652.03
Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2022)	(78.95)					(78.95)

*Actual revenue considered for FY 2021-22 and FY 2022-23.

14.2.6 As can be observed from the above table, as per the Authority's proposals, AAI was entitled to recover an ARR of ₹ 730.98 Crores. The present value of total projected Aeronautical revenues



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based on the Authority's proposed Parking and UDF charges is ₹ 652.03 Crores, thus resulting in a net shortfall of ₹ 78.95 Crores.

14.2.7 The Authority noted that Srinagar International Airport is a Civil Enclave airport, which has limitations on the timing of operations. Further, AAI has projected minimal International traffic for the current Control Period. The existing low traffic base is not sufficient to recover the ARR, which has resulted on account of higher O&M expenses projected for the current control period, the under-recovery pertaining to the First Control Period and the Second Control Period.

Therefore, the Authority with a view to not burden the Airport Users with excessive tariff at this juncture, proposed to levy Parking and UDF charges in a progressive manner and carry-forward the shortfall of ₹ 78.95 Crores (as per Table 82) to the subsequent Control Period.

The Authority proposed to adjust the above shortfall based on the Aeronautical revenue achieved by Srinagar International Airport in line with the actual traffic data of the Third Control Period, while determining tariff for the Fourth Control Period

14.3 Stakeholders' comments on Aeronautical revenue for the Third Control Period

14.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 04/2023-24 with respect to Aeronautical Revenue for the Third Control Period. The comments by stakeholders are presented below:

AAI's comments on Aeronautical revenue for the Third Control Period

14.3.2 AAI has commented the following:

AAI had proposed to increase UDF more in Domestic Flight Considering the passenger Ratio of passenger more than 99 percentage with Total Passenger. However, AERA has considered higher increase in UDF for International passenger and reduced the UDF rates of domestic passengers. AERA is requested to consider maximum increase in Domestic UDF than International UDF.

The proposed increase by AERA vis. a vis AAI as under:

As Submitted by AAI					
Particular	Existing	01/10/22 to 31/03/23	01/04/23 to 31/03/24	01/04/24 to 31/03/25	01/04/25 to 31/03/26
Domestic	Rs.394	Rs.788	Rs.1150	Rs.1680	Rs.2447
International	Rs.787	Rs.866	Rs.909	Rs.954	Rs.1002

As Considered by AERA				
Particular	Existing	01/10/23 to 31/03/24	01/04/24 to 31/03/25	01/04/25 to 31/03/26
Domestic	Rs.394	Rs.750	Rs. 960	Rs. 990
International	Rs.787	Rs. 1200	Rs.1300	Rs.1400



Other Stakeholders' comments on Aeronautical revenue for the Third Control Period

14.3.3 IATA has commented the following:

Use of ASF

"We remain concerned about the lack of transparency since the introduction of the Aviation Security Fee in 2018/19. Security-related expenses previously funded by the airport operators from (a portion) of the PSF-Security should be funded accordingly by the ASF e.g., CISF barracks. In the case of Srinagar, if this facility is constructed on AAI's land rather than BSF's land, this will likely add additional cost to airport users (inclusion in RAB, depreciation cost, returns etc.). We request clarity and that AERA considers this aspect in its determination."

14.3.4 IATA has also commented the following:

Proposed increase in UDF

"The fact that the airport is a Civil Enclave airport, which has limitations on its operations; and has had no capex enhancement; and no resultant increase in passenger facilities; we believe it would be unfair for passengers to bear the burden arising from a significant increase in UDF. Additionally, the under-recovery of the First & Second Control Period should not be exclusively funded by passengers in the current control period. Thus, whether by carryforward of the shortfall to a subsequent Control Period; or by way of restraining the increase that has been sought, we would support AERA's efforts to prevent burdening of airport users with excessive tariffs."

14.3.5 FIA has commented the following:

"In accordance with the preamble of the National Civil Aviation Policy, which envisages to make air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariffs including UDF, which will be beneficial to passengers and airlines.

It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in the sharp post-COVID-19 recovery of aviation sector. It is the stated vision of the government to make UDAN ("Ude Desh ka Aam Naagrik") a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air.

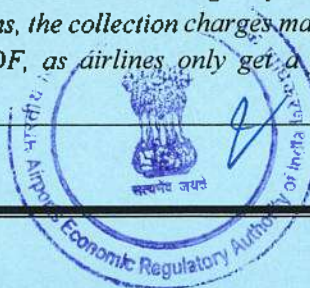
In addition, we request AERA and AAI to clarify the following:

- 1) Ref: Para 17.2.4 Notes to User Development Fee (UDF) Charges: We would like to invite AERA's attention to notes 1 of para 17.2.4 of the Annexure II of the CP, UDF charges, wherein no rate of collection charges of UDF charges has been proposed by AERA.

We further request AERA to consider, in this regard that:

- a. *The collection charges to be published as Rs. 5.00 per departing passenger, in line with other airports.*
- b. *These charges are paid by airport operators to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied.*

Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons, the collection charges may kindly be increased to keep pace with the proposed increase in UDF, as airlines only get a fixed rate, which results in



disincentivizing the airlines.

- c. AERA is kindly requested to clarify the applicability of UDF, whether it will be charged on per passenger or per flight basis, as UDF is applied on a per passenger basis i.e., for embarking passengers. As we have observed, there are corresponding references of domestic and international flights. Hence, the manner in which UDF is to be collected in case of a connecting flight appears unclear, especially in cases, where one leg of the flight is domestic and the other is international or vice versa.

To illustrate: For a passenger with connecting flight from one domestic station to another domestic station with final destination to international station (i.e., SXR-DELDXB), clarity is required whether the UDF will be charged as per domestic flight or international flight;

- a. Will it be considered as a domestic passenger for the route of SXR-DEL-DXB (which means domestic UDF rate applicable on this passenger); or
b. The passenger will be charged international rates of UDF as per the PNR/Ticket, as the final destination is international.

- 2) CUTE, CUPPS, CUSS: As these are aeronautical revenues, we could neither find a proposal for the same in the MYTP submitted by the AAI for the Third Control Period, nor any comment by AERA on regulating these charges in the CP for the Third Control Period. We would like to state that (i) the current prices are excessive; (ii) whatever bouquet of services is agreed between the AAI and the service provider, this is enforced upon the airlines; (iii) the airlines have no say on the prices (unbundling), even if the airlines do not require all the services; and (iv) are in foreign currency at certain airports, making airlines vulnerable due to currency fluctuations.

AERA is kindly requested to intervene and kindly regulate the CUTE, CUPPS, CUSS prices as per the AERA Act, with transparency to all stakeholders.

- 3) We observed that there is no mention of Aviation Security Fee ("ASF") in the Annual Tariff proposal by AAI. In this regard, we request AERA to take note of the AIC 09/2021 dated 19th March 2021 and to state the levy, exemption and collection charges on ASF to AAI.
- 4) Para 17.2.3 (Note 8) - It is requested that AERA should propose the definition of 'Unauthorised Overstay', which will provide clarity to all stakeholders regarding charges to be applied for such overstay by the airport operator.

- 5) Further, FIA recommends to add Note no.09 in para 17.2.3 of the Annexure II, as follows:

"No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any airlines".

- 6) Ref: para 17.2.7 of the CP- It is requested to provide definition of watch hours and the requirements of the extension of watch hours."

14.3.6 FIA has commented the following:

Shrinkage in Control Period

"We submit that the Hon'ble TDSAT Order dated 16 December, 2020 for BIAL stated as follows: '100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed...'

In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order for AAI - Third Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2021."

Cost of airport operations:

"We submit that cost of operations for the airlines is increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment. At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years. While economies of scale are a big factor for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge benefits for the airport operators as well due to economies of scale. Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period). It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business, but also force airlines to pay tax on tax for availing services through multi-layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified."

14.4 AAI's responses to other stakeholders' comments on Aeronautical revenue for the Third Control Period

14.4.1 AAI has responded to IATA's comments as under

"In this regard, it is to submit that construction of CISF barracks at AAI land will reduce the cost as no cost to pay to BSF for acquisition of land. Rest of the cost will remain the same in both the scenario."

"Tariff is determined by AERA based on AERA philosophy of cost plus return therefore whatever UDF is proposed has been arrived at based on AERA methodology. Hence restraining the increase without any basis will only demonstrate that action is not in consonance with AERA guidelines."

14.4.2 AAI has responded to FIA's comments as under

"Parking charges are applicable after two hours free parking available to airlines. Parking of Aircraft is neither encouraged by the Airport Operators nor by the Airlines Operators. Parking of aircraft beyond two hours at any airport reflects inefficiency of Airport Operations as well as Airline Operations. Further, it contributes less than 5% of AAI revenue."

In respect of chargeability of UDF it is to mention that Srinagar Airport is a Civil enclave where landing charges are levied by Defense only and charges left out with AAI are Parking & UDF only in order to recover the ARR.

Payment of collection charges is a decision taken by management of airport operator as per credit policy and not under the AERA's jurisdiction. In this regard MoCA letter AV.16011/002/2008-AAI dated 30.11.2011 may please be referred.

The Extract of MoCA order is reproduced below:

"Transit/transfer passengers (This exemption may be granted to all the passengers transiting up to 24



hours. "A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in in case 2 separate tickets are issued it would not be treated as transit passenger"). Hence, UDF will be charged at domestic rates if not a transit passenger and at International rates if transit passenger (transit passenger defined in MoCA order).

The CUTE, CUPPS, CUSS services are common user services provided by AAI through outsource parties by appointment through call of tender. The cost of services has been charged to passengers and loaded in the ticket. It is to mention that the cost of the services has been reduced drastically and benefiting the passenger.

The revenue from CUTE, CUPPS, CUSS has been considered at aeronautical revenue while computing the ARR. The independent service providers providing the CUTE, CUPPS, CUSS services and submit proposal to AERA for determination of tariff.

AAI is working on behalf of NASFT (a trust created by MoCA) and doing all the necessary compliance on behalf of NASFT. Since the accounts are maintained separately by NASFT, AAI has not reflected ASF in the Tariff Proposal."

"Increase in Aircraft Operation at Airports will benefit the Airlines more. The cost of operations at airport consist of operation and maintenance cost incurred for operational requirement at the airport and the administration cost for running the airport. There are no other cost which are passed on to the airlines which are unrelated to the airport operations."

14.5 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for Third Control Period

14.5.1 The Authority has noted the comments of AAI and states that as mentioned in para 13.5.1, AERA has decided to progressively increase the aeronautical tariffs in the Third Control Period, so that the Airport Users are not unduly burdened with excessive tariffs.

Thus, keeping in view the harmonious interest of all the Airport Users, the Authority has decided to increase Domestic and International UDF in a progressive manner w.e.f October 1, 2023, as stated in the Tariff Rate Card (refer para 17.1.2 on UDF charges for Third Control Period for Srinagar International Airport).

Further, the Authority has increased the UDF charges of Srinagar Airport to a certain extent, as against those proposed at the Consultation stage, keeping in view the following:

- i. Srinagar Airport is a hard station, due to its topography, peculiar climatic conditions and has minimum international traffic. Moreover, it is a Civil Enclave Airport and the major component of its revenue is through UDF charges.
- ii. There are only lesser tariff years available in the current Control Period for recovering the ARR.

14.5.2 The Authority has noted the comments of IATA on use of Aviation Security fee (ASF) for Security related assets, the response of AAI and provides its views as under:

As per MoCA's Order No. AV -13024/47/2003-SS(AD) dated April 5, 2021, CAPEX of Security items with more than 3 years of shelf life are not admissible under ASF. Therefore, the capital expenditure on security related assets has to be funded by the Airport Operator only.

14.5.3 The Authority notes the comments of IATA on the proposed increase in UDF and the response of AAI.

The Authority has determined ARR of Srinagar International Airport, after performing a detailed examination of the regulatory building blocks and by rationalising the same, such as CAPEX, O&M expenses, NAR etc. Also, the Authority has decided to carry forward some portion of the ARR (19.49%)



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to the next Control Period in the harmonious interest of all the stakeholders chain including the Airport Operator (as mentioned in para 13.5.4 of this Tariff Order).

However, it is pertinent to note that Srinagar is a Civil Enclave Airport, wherein the major revenue component is UDF. Further, there has been significant growth in the passenger traffic in the recent past, which has now crossed 4 MPPA. Based on the above factors, the Authority has decided to increase UDF in a progressive manner across the Third Control Period, with a view not to burden the Airport Users with excessive tariffs.

14.5.4 With respect to FIA's comments on UDF and other charges, the Authority provides its comment as under:

- i. UDF (Collection charges): the Authority has noted AAI's response thereon and is of the opinion that the collection charges is a matter between the Airport Operator and the Airlines.
- ii. Applicability of UDF: This issue has been clarified by AAI in their comments and the same may be referred to by FIA.
- iii. CUTE, CUPPS, CUSS: The Authority has noted the response of AAI. These are part of Aeronautical revenue. However, these services are provided by the Airport Operator directly or through the Concessionaire appointed by the AO.
- iv. ASF: The Authority has mentioned the clause on ASF, exemption from levy and collection of ASF in the Tariff Rate Card (refer para 17.1.5 of this Tariff Order).
- v. Clause on Parking charges: The Authority had defined the clauses on Parking charges in the Tariff Rate Card (refer Notes to para 17.1.1) and the same may be referred to.

14.5.5 The Authority has noted FIA's concerns on the recovery burden on account of shrinkage in the Control Period. The Authority would like to emphasize that the tariff determination exercise was carried out for Srinagar International Airport in accordance with AERA Act and AERA Guidelines 2011. Further, it is pertinent to note that AAI had submitted MYTP for the tariff determination of Srinagar International Airport for the Third Control Period on June 1, 2022, which is the 2nd Tariff Year (FY 2022-23) of the Third Control Period. Also, the Authority had sought clarifications from AAI on the various regulatory building blocks from time to time, based on which aeronautical tariff has been determined by the Authority. The above factors have resulted in the time lag in determination of tariff for Srinagar Airport for the Third Control Period. However, AERA would like to highlight that the tariff determination exercise is exhaustive and lengthy in nature and requires resources to examine, analyze and decide on the matters and concerns of all the stakeholders. The Authority had tried its best to ensure timely determination of tariff, and had intervened from time to time to expedite the process.

14.5.6 Based on its analysis and decisions on the various regulatory building blocks, the Authority has re-computed the Aeronautical revenues and Under recovery which the Authority has decided to consider for the Third Control Period. The same is presented in the table below:

Table 83: Aeronautical revenues and Shortfall decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total PV of ARR including true up (₹ in Crores) (a) (as per Table 78)	768.30					768.30
Aeronautical Revenue						



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Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Parking Charges (₹ in Crores)	0.08	0.10	0.13	0.19	0.23	0.72
Land Lease - Oil Companies (₹ in Crores)	0.26	0.28	0.30	0.32	0.35	1.51
Ground handling charges (₹ in Crores)	0.46	0.14	0.14	0.16	0.18	1.08
CUTE charges (₹ in Crores)	3.00	4.19	6.19	6.93	7.76	28.06
Royalty from AAICLAS (₹ in Crores)	0.66	0.82	0.91	1.00	1.10	4.49
Extension of Watch Hours	0.04	0.05	0.05	0.07	0.08	0.30
UDF Domestic (₹ in Crores)	62.05	86.64	136.78	236.44	289.64	811.55
UDF International (₹ in Crores)	0.34	0.46	0.55	0.71	0.80	2.86
Total Revenue (b)	66.90	92.68	145.04	245.82	300.14	850.57
PV factor	1.00	0.89	0.78	0.70	0.62	
PV of Aero Revenue (c)	66.90	82.10	113.82	170.88	184.83	618.53
∑ PV Projected Aero Revenue (d)			618.53			618.53
Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2022)			(149.77)			(149.77)

**Actual revenue considered for FY 2021-22 and FY 2022-23*

14.5.7 As can be observed from the above table and as per the Authority's decisions on the various regulatory building blocks, AAI is entitled to recover an ARR of ₹ 768.30 Crores. The present value of total projected Aeronautical revenues based on the Authority's Parking and UDF charges is ₹ 618.53 Crores, thus resulting in a net shortfall (under recovery) of ₹ 149.77 Crores.

14.5.8 The Authority has decided to carry-forward the under recovery of ₹ 149.77 Cr. (as per Table 83) to the Fourth Control Period, with a view to not burden the airport users with excessive tariff at this juncture, which shall act counter-productive to the growth of the Aviation sector. However, the Authority has decided to adjust the above under recovery based on the Aeronautical revenue achieved by Srinagar International Airport in line with the actual traffic data of the Third Control Period.

14.6 Authority's decisions regarding Aeronautical Revenue for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Aeronautical Revenue for the Third Control Period.

14.6.1 To consider Aeronautical revenue for the Third Control Period for Srinagar Airport as per Table 83.

14.6.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

AERA



15 SUMMARY OF AUTHORITY'S DECISIONS**Chapter 4: True Up of the Second Control Period**

- 4.11.1 To consider capital additions as detailed in Table 9 for true up of the Second Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 10 for true up of the Second Control Period.
- 4.11.3 To consider RAB as per Table 11 for true up for the Second Control Period.
- 4.11.4 To consider the Non-aeronautical revenues as presented in Table 12 for the purpose of true up of the Second Control Period.
- 4.11.5 To consider the O&M expenses as detailed in Table 21 for the purpose of true up of the Second Control Period.
- 4.11.6 To consider actual Aeronautical revenue as per Table 24 for true up of the Second Control Period for Srinagar Airport.
- 4.11.7 To consider ARR and Under-recovery as detailed in Table 26 for true up of the Second Control Period for Srinagar Airport and readjust the shortfall in the Third Control Period.

Chapter 5: Traffic for the Third Control Period

- 5.6.1 To consider the ATM and passenger traffic for the Third Control Period for Srinagar Airport as per Table 31.
- 5.6.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariff for the Fourth Control Period.

Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Third Control Period

- 6.9.1 To consider allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical assets as detailed in Table 33.
- 6.9.2 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 46.
- 6.9.3 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.
- 6.9.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while trueing up the actual cost at the time of determination of tariff for the Fourth Control Period.
- 6.9.5 To consider depreciation as per Table 47 for the Third Control Period.
- 6.9.6 To true up Depreciation of the Third Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.
- 6.9.7 To consider Average RAB for the Third Control Period as per Table 48.
- 6.9.8 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control Period.



Chapter 7: Fair Rate of Return for the Third Control Period

- 7.6.1 To consider Cost of Debt at 6.21% as proposed by AAI.
- 7.6.2 To consider Cost of Equity at 14%.
- 7.6.3 To consider FRoR of 12.89% for Srinagar Airport for the Third Control Period as per Table 55.
- 7.6.4 To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.

Chapter 8: Inflation for the Third Control Period

- 8.5.1 To consider Inflation for the Third Control Period for Srinagar Airport as detailed in Table 57.

Chapter 9: Operation and Maintenance expenses for the Third Control Period

- 9.6.1 To consider O&M expenses for the Third Control Period for Srinagar Airport as per Table 64.
- 9.6.2 To consider the O&M expenses incurred by AAI during the Third Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

Chapter 10: Non-aeronautical revenue for the Third Control Period

- 10.6.1 To consider Non-aeronautical revenues for the Third Control Period for Srinagar Airport in accordance with Table 70.
- 10.6.2 To consider actual Non-aeronautical revenues for the Third Control Period for Srinagar Airport, while determining tariff for the Fourth Control period.

Chapter 11: Taxation for the Third Control Period

- 11.5.1 To consider the Taxation for the Third Control Period for Srinagar Airport as per Table 74.
- 11.5.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

Chapter 12: Quality of Service for the Third Control Period

- 12.6.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service.

Chapter 13: Aggregate Revenue Requirement (ARR) for the Third Control Period

- 13.6.1 To consider the ARR and Yield for the Third Control Period for Srinagar Airport in accordance with Table 78

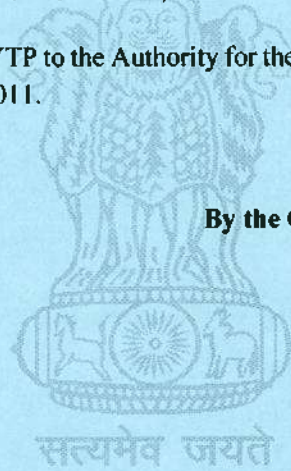
Chapter 14: Aeronautical revenue for the Third Control Period

- 14.6.1 To consider Aeronautical revenue for the Third Control Period for Srinagar Airport as per Table 83.
- 14.6.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

16 ORDER

- 16.1 In exercise of power conferred by Section 13(1)(a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariff to be levied at Srinagar International Airport for the Third Control Period, as per Annexure I.
- 16.2 In exercise of power conferred by Section 13(1)(b) of the AERA Act, 2008, read with rule 89 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure I to the Order for the Current Control Period.
- 16.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.
- 16.4 This Order shall be made effective from October 1, 2023.
- 16.5 Airport Operator shall submit its MYTP to the Authority for the Fourth Control Period in a timely manner as per the Authority's Guidelines, 2011.

By the Order and in the name of the Authority



(Col. Manu Sooden)
Secretary

To,

The Chairman
Airports Authority of India,
Rajiv Gandhi Bhawan,
Safdarjung Airport,
New Delhi -110003

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AERA

Copy to:

1. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi-110003
2. Directorate general of Civil Aviation: for issue of AIC



17 LIST OF ANNEXURES

17.1 Annexure I: Tariff Rate Card approved by the Authority for Srinagar International Airport for the Third Control Period (effective from October 1, 2023)

17.1.1 Parking charges approved for the Third Control Period have been provided below :

Table 84: Parking charges (per hour) up to two hours after free hours for the Third Control Period decided by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2021-22	FY 2022-23	FY 2023-24		FY 2024-25	FY 2025-26
	(Existing rates)	(Existing rates)	Tariff w.e.f. 01.04.2023 to 30.09.2023 (Existing rates)	Tariff w.e.f. 01.10.2023 to 31.03.2024	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025
Up to 25 MT	3.30 per Hour per MT	3.30 per Hour per MT	3.30 per Hour per MT	4.95 Per Hour Per MT	5.45 Per Hour Per MT	6.00 Per Hour Per MT
Above 25 MT up to 50 MT	82.50+4.60 per Hour per MT in excess of 25 MT	82.50+4.60 per Hour per MT in excess of 25 MT	82.50+4.60 per Hour per MT in excess of 25 MT	123.75+ 6.90 per hour per MT in excess of 25 MT	136.25 + 7.60 per hour per MT in excess of 25 MT	150.00 + 8.35 per hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	197.50+8.90 per MT per Hour in excess of 50 MT	197.50+8.90 per MT per Hour in excess of 50 MT	197.50+8.90 per MT per Hour in excess of 50 MT	296.25 + 13.35 per hour per MT in excess of 50 MT	326.25 + 14.70 per hour per MT in excess of 50 MT	358.75+ 16.15 per hour per MT in excess of 50 MT
Above 100 MT to 200 MT	642.50+ 11.20 per MT per Hour in excess of 100 MT	642.50+11.20 per MT per Hour in excess of 100 MT	642.50+11.20 per MT per Hour in excess of 100 MT	963.75+ 16.80 per hour per MT in excess of 100 MT	1,061.25 + 18.50 per hour per MT in excess of 100 MT	1,166.25 + 20.35 per hour per MT in excess of 100 MT
Above 200 MT	1,762.50 +12.40 per MT per Hour in excess of 200 MT	1,762.50 +12.40 per MT per Hour in excess of 200 MT	1,762.50 +12.40 per MT per Hour in excess of 200 MT	2,643.75+ 18.60 per hour per MT in excess of 200 MT	2,911.25 + 20.45 per hour per MT in excess of 200 MT	3,201.25+ 22.50 per hour per MT in excess of 200 MT

Table 85: Parking charges beyond first four hours for the Third Control Period decided by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2021-22	FY 2022-23	FY 2023-24		FY 2024-25	FY 2025-26
	(Existing rates)	(Existing rates)	Tariff w.e.f. 01.04.2023 to 30.09.2023 (Existing rates)	Tariff w.e.f. 01.10.2023 to 31.03.2024	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025
Up to 25 MT	6.70 per Hour per MT	6.70 per Hour per MT	6.70 per Hour per MT	10.05 per Hour per MT	11.05 Per Hour Per MT	12.15 Per Hour Per MT
Above 25 MT up to 50 MT	167.50+8.90 per Hour per MT in excess of 25 MT	167.50+8.90 per Hour per MT in excess of 25 MT	167.50+8.90 per Hour per MT in excess of 25 MT	251.25 + 13.35 per Hour per MT in excess of 25 MT	276.25 + 14.70 per hour per MT in excess of 25 MT	303.75 + 16.15 per hour per MT in excess of 25 MT



LIST OF ANNEXURES

Weight of the Aircraft	FY 2021-22	FY 2022-23	FY 2023-24		FY 2024-25	FY 2025-26
	(Existing rates)	(Existing rates)	Tariff w.e.f. 01.04.2023 to 30.09.2023 (Existing rates)	Tariff w.e.f. 01.10.2023 to 31.03.2024	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025
Above 50 MT up to 100 MT	390.00 + 18.00 per Hour per MT in excess of 50 MT	390.00 + 18.00 per Hour per MT in excess of 50 MT	390.00 + 18.00 per Hour per MT in excess of 50 MT	585.00 + 27.00 per Hour per MT in excess of 50 MT	643.75+ 29.70 per hour per MT in excess of 50 MT	707.50 + 32.70 per hour per MT in excess of 50 MT
Above 100 MT to 200 MT	1,290.00 +22.50 per Hour per MT in excess of 100 MT	1,290.00 +22.50 per Hour per MT in excess of 100 MT	1,290.00 +22.50 per Hour per MT in excess of 100 MT	1,935.00 + 33.75 per Hour per MT in excess of 100 MT	2,128.75+ 37.15 per hour per MT in excess of 100 MT	2,342.50 + 40.85 per hour per MT in excess of 100 MT
Above 200 MT	3,540.00 + 24.80 per Hour per MT in excess of 200 MT	3,540.00 + 24.80 per Hour per MT in excess of 200 MT	3,540.00 + 24.80 per Hour per MT in excess of 200 MT	5,310.00 + 37.20 per Hour per MT in excess of 200 MT	5,843.75+ 40.90 per hour per MT in excess of 200 MT	6,427.50+ 45.00 per hour per MT in excess of 200 MT

Notes:

1. No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
 2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
 3. Charges shall be calculated on the basis of nearest MT.
 4. Charges for each period parking shall be rounded off to nearest rupee.
 5. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
 6. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Srinagar Airport if the State Government has brought the rate of tax (VAT) on ATF \leq 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of \leq 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
 7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
 8. For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable.
- 17.1.2 **User Development Fees (UDF):** UDF charges for Srinagar International Airport for the Third Control Period is as follows:



Applicable rates for travel date from October 1, 2023 to March 31, 2024

(Rate in ₹)

Type of Passenger	Domestic Flight	International flight
Embarking passenger	850.00	1,100.00

Applicable rates for travel date from April 1, 2024 to March 31, 2025

(Rate in ₹)

Type of Passenger	Domestic Flight	International flight
Embarking passenger	960.00	1,100.00

Applicable rates for travel date from April 1, 2025 to March 31, 2026

(Rate in ₹)

Type of Passenger	Domestic Flight	International flight
Embarking passenger	1,050.00	1,100.00

Notes:

1. Collection charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
2. No collection charges are payable to casual operator/non-scheduled operators.
3. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
4. Revised UDF charges will be applicable on the tickets issued on or after October 1, 2023.

17.1.3 Exemption from levy and collection from UDF at the Airports.

In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF.

- (a) Children (under age of 2 years).
- (b) Holders of Diplomatic Passport.
- (c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel).
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces.
- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").



17.1.4 CUPPS/ CUSS / BRS charges

Applicable rates from October 1, 2023 to March 31, 2026

Per Embarking passenger	₹ 35.05 (excluding GST)
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- The CUPPS / CUSS / BRS services concessioned to Concessionaire on revenue share model. The charges mentioned above will be collected by the concessionaire from the airlines.
- The charges shall be applicable on the UDF paying passengers on scheduled flights and passengers on non-scheduled, chartered flights.

17.1.5 Aviation Security Fee: Rates and Exemption as prescribed by MoCA from time to time.

17.1.6 Extension of Watch Hours

Table 86: Extension of Watch Hour rates

(In ₹)

Existing Extension Watch Hour Rate	FY 2022-23	FY 2023-24		FY 2024-25	FY 2025-26
	(Existing rates)	(01.04.2023 to 30.09.2023)	(01.10.2023 to 31.03.2024)	(01.04.2024 to 31.03.2025)	(01.04.2025 to 31.03.2026)
9,180	9,180	9,180	10,098	11,108	12,219

Table 87: Concessional rates per hour

(In ₹)

Type of User	% of Normal rates	FY 2023-24 (01.10.2023 to 31.03.2024)	FY 2024-25	FY 2025-26
Helicopter	10	1,010	1,111	1,222
Aircraft up to MTOW 10,000 kg	20	2,020	2,424	2,909
Aircraft having MTOW more than 10,000 kg but less than 20,000 kg	40	4,040	5,656	7,918

- Concession to small domestic aircrafts, helicopters and aircrafts used for training purposes by approved Flying schools/ Flying training institutes on the extension of watch hour charges irrespective of whether the flying rules followed are VFR & IFR.
- The charges are payable by all operators/agencies operating outside the watch hours, except aircraft(s) belonging to any armed force of the Union, including BSF & NCC.
- The charges are payable at the Airports where extension is availed at the time of landing / taking off as the case may be.
- When the two aircraft use the facility at the same time, Charges for Extension of Watch Hours for each Airline/aircraft should be charged separately and no sharing of charges between the Users is permissible.
- Fraction of hours may be rounded off to the next half an hour and charged accordingly.



- f. If the aircraft has taken off just before the closing of watch hours, watch hours should be extended at least for a period of 30 minutes after take-off as is the normal practice, this will not attract extra service charge. If the aircraft returns to land due to any technical reason, extended period beyond the normal watch hour, if any, should not be charged. However, any extension required after such landing should be charged as per rates applicable.
- g. Any extension of Watch Hours provided to accommodate an aircraft experiencing technical problem and requesting emergency landing should not be charged. Any extension required after such landing should be charged as per rates applicable.
- h. No charges will be levied for extension of Watch hours due to inescapable delays because of runway block/VVIP Movements/weather conditions at the station.
- i. If an Operator, after obtaining approval of AAI for extension of Watch hours, subsequently intends to withdraw the request under any circumstances, shall inform AAI at least 6 hours in advance of the scheduled departure or arrival time. If the Operator fails to do so, he shall be charged Charges for Extension of Watch Hours for a period of 4 hours as penalty.
- j. The charges for Extension of Watch Hours shall be levied as per above rates per hour basis for a minimum period of one hour.
- k. The Charges indicated above are only for the services rendered by AAI.
- l. The Charges for Extension of Watch Hours are applicable to the airports which are having designated watch hours.

17.1.7 General Condition:

- a) All the above Charges are excluding GST. GST at the applicable rates is payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GoI.

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