

[F. No. AERA/20010/MYTP/AAI/Ahmd/2011-12]

**Airports Economic Regulatory Authority of India**

**Order No. 14/2015-16**

**AERA Building,  
Administrative Complex,  
Safdarjung Airport,  
New Delhi - 110 003.**

**Date of Order: 17<sup>th</sup> April, 2015**

**Date of Issue: 5<sup>th</sup> June, 2015**

**Subject: Determination of Aeronautical Tariff at Sardar Vallabhai Patel International Airport, Ahmedabad (SVPIA).**

**Service provider: Airports Authority of India (AAI)**

The Authority, vide its Order No. 13/2010-11 dated 12.01.2011 (Airport Order) finalised its approach in the matter of Regulatory Philosophy and Approach in Economic Regulations of Airport Operators. Further, the Authority vide its Direction No. 5/2010-11 dated 28.02.2011, issued the Airport Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators), Guidelines 2011 (Airport Guidelines) to operationalise its regulatory philosophy.

1.2. As per the Airport Guidelines, the Authority determines tariff for the aeronautical services on the basis of a Multi- Year Tariff Proposal (MYTP) made by the Airport Operator for a control period of 5 years. The Authority initially determines Yield per Passenger (YPP) under tariff determination process and subsequently the detailed Annual Tariff Proposal(s) (ATP) from Airport Operator (pertaining to the approved yield per passenger) is reviewed for approval.

1.3 As per the Airport Guidelines, all Airport operator(s) shall within four months of the date of issue of the Airport Guidelines, submit to the Authority for its consideration, a MYTP for the 1<sup>st</sup> control period i.e 5 years period commencing from 2011-12 in the form and manner as specified in the Airports Guidelines. The last date for submission of the MYTP in terms of the Airport Guidelines was 30.06.2011.

1.4 The Authority was conscious about the fact that in the nature of timelines specified in the Airport Guidelines, it would not be possible to determine the tariff in respect of any of the major airports before 01.04.2011. In this light, the Authority, vide Order No. 15/2010-11 dated 24.03.2011, decided that the airport operators shall continue charging the tariffs for aeronautical services provided by them, at the existing rates, in the interim period.

1.5 At present there are sixteen (16) major airports in India, for whom the tariff is to be determined by the Authority. The 1<sup>st</sup> control period of five (5) years established by the Authority for airports at Delhi and Mumbai was from 01.04.2009 to 31.03.2014, whereas for the remaining airports it was from 01.04.2011 to 31.03.2016.

1.6 While tariff determination in respect of 2<sup>nd</sup> control period for airports at Delhi and Mumbai is due, the tariff in respect of eight airports at Ahmedabad, Jaipur,





Calicut, Trivandrum, Cochin, Goa, Pune and Srinagar yet to be determined for the 1<sup>st</sup> control period.

## **2. MYTP of SVPI Airport, Ahmedabad**

2.1 AAI, vide letter dated 23.06.2011 submitted that they had already initiated the process of formulation of MYTP in respect of its Major Airports and some systematic and administrative changes were being carried out simultaneously for capturing information/data related to regulatory matters and also furnished the status/progress of certain key activities. The Authority considered the aforesaid request of AAI and extended timeline for submission of MYTP in respect of SVPIA up to 31.07.2011.

2.2. AAI filed its initial MYTP Submission in respect of SVPIA vide their letter dated 30.07.2011 for determination of aeronautical tariff (for the current control period i.e. 2011-12 to 2015-16). Discussions were held on 10.01.2012 for clarifications and justifications on the basis of which AAI filed further submissions dated 30.04.2012, 03.07.2013, 04.02.2014, 12.02.2014 and 28.02.2014 and additional justifications/clarifications dated 30.4.2012, 03.07.2013, 02.04.2014, 16.07.2014 and 12.12.2014.

2.3 As a part of MYTP submission, AAI submitted *inter-alia* key assumptions for its Airport Services, including growth rates assumed for various Revenue and Expenditure heads, depreciation policy, traffic forecasting methodology along-with the Projected Profit and Loss Account, Balance sheet and Cash Flow Statement.

2.4 AAI submitted that the tariff proposal in respect of the airport tariff does not consider the revenues and expenditures on account of the Communication, Navigation, Surveillance / Air Traffic Management (CNS/ATM) services at the airport which is in line with the Airport Guidelines.

2.5. AAI informed that the accounts of AAI are audited by C&AG of India as mandated by the AAI Act. The C&AG's resident audit parties audit the financial records and statements of AAI's airports, regional/field offices. However C&AG issue the final Audit Certificate for the AAI as a whole.

## **3. Authority's Views:**

3.1 Aeronautical Tariffs at AAI airports are determined under the single till approach wherein all airport activities (aeronautical and non-aeronautical) are taken into consideration to determine the level of airport charges.

3.2 Multi-Year Tariff Proposal of SVPIA, Ahmedabad has been at discussion stage with AAI, for quite some time, for further clarification and justification of items of Expenditure and Revenue and issue of consultation paper thereof.

3.3 The Authority has also been in the process of analysis and calculation of Aggregate Revenue Requirement (ARR) for the current Control Period on the basis of the detailed submissions made by AAI towards the items of the Regulatory Building Blocks. However, actual audited financials of 2013-14 are yet to be shared by AAI, for updating analysis of the Tariff Proposal.



3.4 The Authority notes that less than one year is left for completion of the 1<sup>st</sup> Control Period, which is set to expire on 31.03.2016. Even if a Consultation Paper is issued in respect of SVPIA, Ahmedabad by the middle of May 2015, going by the past experience, the tariff Order finalisation after due stakeholder consultation process will take at least another 2-3 months. In order to match the aggregate revenue requirements (ARR), steep rise in tariffs may be required to be charged to air passengers in the remaining period (i.e 5 months) of the current control period, which may hardly be reasonable and justifiable.

3.7 The Authority recollects its order no. 02/2010-11 dated 18.05.2010 wherein User Development Fee (UDF) @ Rs. 110 and Rs. 415 per domestic and international embarking passenger, respectively, is effected from 01.09.2010 on ad-hoc basis on commissioning of New International Terminal Building at SVPIA, Ahmedabad. Further, Passenger Service Fees (PSF) is also applicable at SVPIA, Ahmedabad.

#### 4. ORDER

After careful consideration of the matter, the Authority decides to approve that;

- (i) The tariff for the major airport of AAI at Ahmedabad, which is pending for determination for the first Control Period, would continue at the existing level on ad hoc basis, for all components of aeronautical services rendered at SVPIA, Ahmedabad.
- (ii) AAI may submit the MYTP in respect of SVPIA, Ahmedabad for the 2<sup>nd</sup> Control Period well in time as per the Guidelines by incorporating the actual financials of 2014-2015 along with the aggregate revenue requirements for the 1<sup>st</sup> control period.

By the Order of and in the  
Name of the Authority

*Alok Shekhar*  
(Alok Shekhar)  
Secretary

To,  
The Chairman,  
Airports Authority of India,  
Rajiv Gandhi Bhawan, Block - C  
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(Shri R K Srivastava, IAS)

