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भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
ऐरा भवन, प्रशासनिक कॉम्प्लेक्स,
सफदरजंग एयरपोर्ट,
नई दिल्ली -110003

दिनांक : 30, नवम्बर, 2017

विषय: प्रथम नियंत्रण अवधि (01.04.2016-31.03.2021) के लिए डॉ बाबासाहेब अंबेडकर
अंतरराष्ट्रीय हवाई अड्डा, नागपुर के वैमानिक टैरिफ के निर्धारण के मामले में।

.....

उपर्युक्त विषय पर दिनांक 30.11.2017 टैरिफ आदेश संख्या 25/2017-18 सूचना और आवश्यक
अनुपालन के लिए संलग्न है।

भवदीय,



(वी.के.सचदेवा)

उप महा प्रबंधक (वित्त)

सेवा में,

1- वरिष्ठ निदेशक (हवाई अड्डा), मिहान इंडिया लिमिटेड, डीबीएआई, हवाई अड्डा नागपुर-440005

प्रतिलिपि: सचिव, नागर विमानन मंत्रालय, राजीवगांधी, भवन, नई दिल्ली-110003

File No. AERA/20010/MYTP/AIA-Nagpur/CP-II/16-17/Vol-I

Order No. 25/2017-18



Airports Economic Regulatory Authority of India

In the matter of Determination of Tariff in respect of Dr. Babasaheb Ambedkar International Airport, Nagpur for the First Control period (01-04-2016 to 31-03-2021).

30th November, 2017

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**



1 Abbreviation

Acronym	Definition
AAI	Airports Authority of India
AERA	Airports Economic Regulatory Authority of India
ARR	Aggregate Revenue Requirement
CAGR	Compounded Annual Growth Rate
FRoR	Fair Rate of Return
GoI	Government of India
GoM	Government of Maharashtra
INR	Indian Rupee
MADC	Maharashtra Airport Development Company
MIL	MIHAN India Ltd.
MoCA	Ministry of Civil Aviation
MYTP	Multi Year Tariff Proposal
RAB	Regulatory Asset Base
UDF	User Development Fee

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Contents

1.	INTRODUCTION	4
2.	SUMMARY OF STAKEHOLDERS' COMMENTS ON CONSULTATION PAPER NO. 16/2017-18.	8
3.	METHODOLOGY FOR TARIFF CALCULATION	9
4.	REGULATORY ASSET BASE (RAB) AND DEPRECIATION	11
5.	FAIR RATE OF RETURN (FRoR)	17
6.	OPERATION AND MAINTENANCE EXPENDITURE	20
7.	REVENUE FROM SERVICES OTHER THAN AERONAUTICAL SERVICES	23
8.	TAXATION	25
9.	AGGREGATE REVENUE REQUIREMENT	27
10.	TRAFFIC FORECAST	28
11.	REVENUE FROM AERONAUTICAL SERVICES	31
12.	COMPARISON OF ARR WITH PROJECTED AERONAUTICAL REVENUE	33
13.	PROPOSED TARIFF AND UDF	34
14.	SUMMARY OF ORDERS	41
15.	ORDER	42
16.	LIST OF TABLES	43

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1 INTRODUCTION

1.1 Nagpur, also known as the orange city of India, is a third largest city of the State of Maharashtra, with a population of 2.5 million (as per 2011 census) The city is also among the important cities of India and is centrally located. The airport at Nagpur was constructed by the Airports Authority of India and operated by it till 2009.

1.2 Maharashtra Airport Development Company Ltd (MADC) and Airports Authority of India formed a joint venture company, MIHAN India Ltd(MIL) in February 2009 in order to operate and maintain the airport. As per terms of the Agreement MADC holds 51% and AAI 49% of the equity share capital. Nagpur Airport was transferred to MIL on 07.08.2009 and since then it is being operated and maintained by MIHAN as envisaged under the JV agreement. AAI's contribution to equity was by way of transfer of existing land, building and structure and MADC brought in the additional land for development of the airport.

1.3 After taking over the Nagpur Airport, MIL has undertaken certain items of work to upgrade the facilities at the airport which includes construction of additional aprons, re-carpeting of runway, and partial renovation of passenger terminal. MIL has also taken steps to prepare the revised detailed master plan of the Airport.

1.4 As per the terms of the JV agreement, MIL is responsible for development of the airport and will enter into a concession agreement with private developers who will be selected through competitive bidding. MIL has already floated the RFQ for the development of Nagpur airport on PPP basis.

1.5 The traffic handled at Nagpur airport during the last 5 years is given in table below:

Table 1: Passenger Traffic at Nagpur Airport

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
Passenger In Numbers	FY11	FY12	FY13	FY14	FY15	FY16	CAGR
Domestic	1199567	1377039	1219,045	1220256	1356320	1520963	5%
International	37165	38700	43876	43581	44827	74278	15%
Total	1236732	1415739	1262921	1263837	1401147	1595241	5%

1.6 Since Nagpur airport served more than 1.5 million passengers in 2015-16, it has been declared as a major airport and tariff determination and filing comes under the purview of AERA.

1.7 Consequently, MIHAN India Ltd. prepared and filed the multi-year Tariff proposal for the control period **01-04-2016 to 31-03-2021** with AERA. MIL filed its MYTP submissions for the first control period i.e. from 2016-17 to 2020-21, vide their letter dated 21.11.2016.



MIHAN submission

1.8 The existing airport is spread over 400 Ha, located ~8 km away from Nagpur city. Some of the salient features of the airport as submitted by MIL are elaborated in the table below:

Facilities	Description
Airport existing facilities	One runway and a terminal building of approx. area of 17,500 sq mt.
Runway dimensions	Runway 14/32 – 10500 x 148 feet and 3200 x 45 mt
Taxiways and aprons	Taxiway and aprons
	Taxiway A
	Taxiway B1
	Taxiway B2
	Taxiway C1
	Taxiway C2
	Taxiway F
	Taxiway L
	Apron T: Asphalt: 56608 sq mt Concrete: 8778 sq mt Total Area: 65,386 sq mt
	Apron R Total Area: 18,148 sq mt (Concrete)
Airport expansion and development plans	A new terminal and parallel runway plans will be developed in the expansion plan through public-private partnership model in 2017-18
Security	Airport security is provided by Airport Security Group (ASG), CISF, Ministry of Home Affairs, Govt. of India
Immigration	Immigration facilities provided by Bureau of Immigration, Govt. of India
Fuelling	At present, three fuelling companies are stationed at Nagpur Airport. IOCL:



	<p>Capacity: JET A1 - 560KL, AVGAS (100LL) - 55 BARRELS (AVGAS (100LL) AVBL in sealed containers only)</p> <p>Bowers: 25 KL (One), 16 KL (Four), 11 KL (Two), 5.8 KL (One)</p> <p>BPCL:</p> <p>Capacity: JET A1 - 445 KL Bowers: 25 KL (One), 15 KL (One)</p> <p>Reliance Aviation Fuel:</p> <p>Capacity: JET A1 - 140 KL Bowers: 06 KL (Two)</p>
Ground handling agents and options	<p>Ground handling agents for Schedule Operators are appointed by respective Airlines.</p> <p>For handling Non-Scheduled flights four GHAs are available: IFOS Aviation, Silver Jubilee, NAS Aviation and Skyline Aviation.</p> <p>NAS Aviation is also providing Ground Handling to Air Arabia and Qatar airways.</p>
Lounge facilities	Reserved lounge is available in NTB
Aerobridge parking	Bay No. 01 & 02 available with aerobridge and VDGS
Current or planned hotel/sleeping facilities airside/landside for Guest convenience	Four retiring rooms available in NTB
Airport Emergency Response Facilities	<p>Airport Category: CAT-7 & CAT-8 will be made available with 12 hours prior notice. Rescue equipment's available as per CAT-8. Crash Fire Tenders-4, Ambulance-3.</p> <p>Approved Airport Emergency plans are available. All plans are updated and tested from time to time for efficient handling of emergencies like Bomb Threat, Hijack Situation, Fire Emergency etc.</p>
Optional external branding opportunities	Yes
Fast-track immigration departure and arrival	Available. Provided by Bureau of Immigration, Govt. of India.



Dedicated arrival carousel	Two Conveyor belts available in Domestic Arrival and Two Conveyor belts available in International Arrival.
Disruption management procedures and services	Disruption management is handled by respective Airlines and Terminal manager as per SOPs.
Established AOC or equivalent	Airport Operators Committee functional
Hours of operation	H24 (24 Hours)
Operating airlines	At present, four domestic operators (Air India, Indigo, Jet Airways, Go Air) with 20 flights per day. Air Arabia operates four days a week Sharjah-Nagpur-Sharjah. Qatar Airways operates a daily flight to Doha
Weather conditions	As per weather phenomena at Nagpur, visibility conditions are good throughout the year except for a short duration due to seasonal rains. Fog is not present in any season. Avg Temp - Max 46 deg C Avg Temp - Min 10 deg C Avg rainfall – 124.2 cm

1.9 MIL has submitted Multi-Year Tariff Proposal (MYTP) for revising aeronautical charges and levying UDF for its 1st control period 01.04.2016 to 31.03.2021 for Authority's consideration. This proposal and the Authority's tentative views in respect of relevant issues were placed for stakeholder consultations vide Consultation paper no.16/2017-18 dated 01.09.2017.

1.10 A meeting with stakeholders for inviting responses on proposed decisions of the Authority was held on 18-09-2017. The last date for receipt of comments was 29-09-2017.

1.11 This order of the Authority takes into account proposals of MIL, views expressed by stakeholders in the meeting, written submissions received from stakeholders and examination by the Authority with reference to its guidelines for airport operators. The Authority has carefully considered the views of the stakeholders and its views on the stakeholders representations have been explained in the relevant sections in this order.



2. SUMMARY OF STAKEHOLDERS' COMMENTS ON CONSULTATION PAPER NO. 16/2017-18

2.1 In response to Consultation Paper No. 16/2017-18 dated 01.09.2017, the Authority received comments from stakeholders, a summary of which is given below:

Table 2 : Summary of Stakeholders' comments :

S. No.	Stakeholders	Issues commented
1.	Airport Authority of India (AAI)	<ul style="list-style-type: none">• Fair Rate of Return (FRoR)
2.	Air Traveler Association (ATA)	<ul style="list-style-type: none">• Non-aeronautical revenue• Efficiency of operations.• Service quality levels.• ATS / CNS cost
3.	Indian Oil Corporation Ltd. (IOCL)	<ul style="list-style-type: none">• Tariff proposal
4.	Business Aircraft Operators Association (BAOA)	<ul style="list-style-type: none">• Ground handling charges• Housing charges• Fuel throughput charges• Waiving of landing and other charges to RCS flights• Annual review of development activities

2.2 The Authority has carefully considered comments made by stakeholders and has obtained response from MIL on these comments. The position of the Authority in its Consultation Paper No. 16/2017-17, issue-wise comments of the stakeholders on the Consultation Paper, response from MIL thereon, Authority's examination, and its decision are given in the relevant sections of this order.



3 METHODOLOGY FOR TARIFF CALCULATION

- 3.1 The Authority, vide its Order No. 13/2010-11 dated 12.01.2011 (“Airport Order”) and Direction No. 5/2010/11 dated 28.02.2011 (“Airport Guidelines”), has issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended its guidelines vide its Order No. 14, 2016-17 dated 12.1.2017 to determine future tariffs using Hybrid Till.
- 3.2 The present methodology implies that, only 30% of the Non-Aeronautical revenue is to be used for cross-subsidizing the aeronautical charges as against the earlier practice of taking the entire Non-Aeronautical revenues for cross-subsidizing the aeronautical charges (Single Till).
- 3.3 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.
- 3.4 The Authority shall determine the Aggregate Revenue Requirement (ARR) for the current control period on the basis of the following Regulatory Building Blocks: Regulatory Asset Base (RAB); Depreciation (D); Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB); Operation and Maintenance Expenditure (O); Taxation (T); Revenue from services other than aeronautical services (NAR).
- 3.5 Based on the building blocks provided above, the formula for determining ARR under Hybrid Till is as follows:

$$ARR = \sum (ARR_t) \text{ and } t=1 \text{ to } 5$$

$$ARR_t = (FRoR \times RAB_t) + Dt + Ot + Tt - 30\% \text{ of } NAR_t$$

Where

‘t’ is the Tariff Year in the Control Period;

ARR_t is the Aggregate Revenue Requirement for year ‘t’;

FRoR is the Fair Rate of Return for the control period;

RAB_t is the Regulatory Asset Base for the year ‘t’;

D_t is the Depreciation corresponding to the RAB for the year ‘t’;

O_t is the Operation and Maintenance Expenditure for the year ‘t’, which includes all items of expenditure incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandate operating costs;

T_t is the corporate tax for the year ‘t’ paid by the airport operator on the aeronautical profits; and

- 3.6 NAR_t is revenue from services other than aeronautical services for the year ‘t’



- 3.7 The present value of total aeronautical revenue that is estimated to be realized each year during the control period at proposed tariff levels is compared with the present value of the ARR during the control period. In case the present value of estimated aeronautical revenue during the control period is lower than the present value of ARR during the control period, the airport operator may opt to increase the proposed tariff. In case the present value of estimated aeronautical revenue is higher than the present value of the ARR then the airport operator will have to reduce its proposed tariff.
- 3.8 The detailed submissions provided by MIL in respect of the Regulatory Building Blocks have been discussed in the subsequent sections.

Decision No. 1- Methodology of Tariff Determination

The Authority has decided to determine tariffs at Nagpur for the first control period on Hybrid Till basis.



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4 REGULATORY ASSET BASE (RAB) AND DEPRECIATION

4.1 As per clause 5.2.4 of Airport Guidelines issued by AERA opening RAB is to be calculated by taking into consideration the original cost of fixed assets, accumulated depreciation, accumulated capital receipts of the nature of contributions from stakeholders, adjustment for value of assets excluded from the scope of RAB and adjustment for value of the land excluded from the scope of RAB.

MIHAN submission

4.2 The assets as per the last audited account of MIL as on 31st March 2016, have been depreciated by the written down value method of IT ACT. As per the AERA guideline, Straight Line Method (SLM) of Depreciation has to be used to arrive at the Initial RAB and the forecasted RAB values for the Control Period. Hence the Net Asset Value as per SLM has been computed from the data by MIL and accordingly the value of assets has been adjusted in the calculation of Initial RAB.

Table 3: Total value of Assets in the control period as submitted by MIL

Forecast Regulated Asset Base (RAB) in INR crores		Initial RAB				
		2016-17	2017-18	2018-19	2019-20	2020-21
Opening RAB (t-1)	OR	115.61	128.85	155.15	193.01	201.96
Commissioned assets during the year	CA	20.28	34.91	48.58	21.37	11.64
Depreciation	DR	7.05	8.62	10.73	12.41	13.06
Disposals	DI	0.00	0.00	0.00	0.00	0.00
Incentive adjustments	IA	0.00	0.00	0.00	0.00	0.00
Closing RAB (t)	CR=OR+CA-DR-DI+IA	128.86	155.15	193.01	201.97	200.55
RAB for calculating ARR	RAB=(OR+CR)/2	122.24	142.01	174.08	197.49	201.26

Authority's Examination: Opening RAB

4.3 The Authority has calculated the initial RAB based on the opening assets of MIL as per the net block of assets given in the audited annual report 2015-16 of MIL.

4.4 The Authority notes that MIHAN has not bifurcated the opening RAB into Aero assets and Non-aero assets. The area used for commercial or Non aeronautical purposes within the terminal building is approx. 5% of the total area of the building. Accordingly, the Authority has decided to apportion the Terminal area into Aero and Non-Aero in the proportion of 95% and 5%. In all other cases, the non-aero assets are negligible.

4.5 Based on the above evaluation and the value of the assets handed over by AAI to MIL, the Authority has recalculated the RAB as on 01.04.2016 as follows:



Table 4: Re-calculation of opening RAB

Asset Type	Initial RAB in INR Crores	Aeronautical Asset	Non-Aeronautical Asset
Runway & taxiway	27.56	27.57	1.88
Apron	8.23	8.23	
Roadways	4.76	4.76	
Boundary Wall	1.34	1.34	
Terminal Building	37.63	35.75	
IT	0.19	0.19	
Plant & Equipment	2.67	2.67	
Furniture & Fixtures	0.42	0.42	
Vehicles incl of ambulance	0.15	0.15	
Electrical	4.82	4.82	
CFT	-	-	
Civil - others	-	-	
Residential	2.14	2.14	
Major maintenance cost	-	-	
Fencing	0.07	0.07	
Total	90.00	88.12	

Additions to RAB in the first control period – MIHAN Submission

4.6 MIHAN in its submission has listed the additions to RAB during the control period as per table given below:

Table 5: Proposed addition to RAB (Rs. in crores)

In INR Crores	2016-17	2017-18	2018-19	2019-20	2020-21
	3/31/2017	3/31/2018	3/31/2019	3/31/2020	3/31/2021
Runway & taxiway	1.22	4.00	24.00	3.20	0.00
Apron	0.00	0.50	8.00	10.00	0.00
Roadways	2.14	10.00	0.00	1.00	10.00
Boundary Wall	0.55	0.40	0.00	0.00	0.00
Terminal Building	0.51	1.02	0.45	1.20	1.30
IT	0.00	0.00	0.00	0.00	0.00
Plant & Equipment	4.21	4.19	1.75	0.93	0.04
Furniture & Fixtures	0.00	0.00	0.00	0.00	0.00
Vehicles	0.14	1.07	0.10	0.10	0.10
Electrical	1.76	1.66	1.09	4.85	0.20
CFT & Ambulance	6.00	6.00	12.00	0.00	0.00
Civil - others	3.76	6.07	1.20	0.10	0.00
Total	20.29	34.91	48.59	21.37	11.64



Authority Examination

- 4.7 The Authority notes that there is no significant capital expenditure proposed for the control period probably due to proposed development of the Airport through private participation.
- 4.8 The capital expenditure proposed is mainly to upgrade of the existing asset/facility and to fulfil the various standards prescribed.
- 4.9 The expenditure under Terminal Building is purely for operational requirement and hence it is not required to be apportioned into aero and non aero assets.
- 4.10 As per the submissions of MIL, the additions to capital assets planned for each tariff year of the control period are proposed to be commissioned in the same year itself for the purpose of arriving at the RAB.
- 4.11 The Authority has revised the additions to RAB based on the actual capex incurred by MIL in 2016-17. The revised capex schedule is given in the table below:

Table 6: Revised additions to RAB as per Authority

In INR Crores	2016-17	2017-18	2018-19	2019-20	2020-21
	3/31/2017	3/31/2018	3/31/2019	3/31/2020	3/31/2021
Runway & taxiway	0.05	4.00	24.00	3.20	0.00
Apron	0.00	0.50	8.00	10.00	0.00
Roadways	0.38	10.00	0.00	1.00	10.00
Boundary Wall	3.62	0.40	0.00	0.00	0.00
Terminal Building	1.79	1.02	0.45	1.20	1.30
IT	0.19	0.00	0.00	0.00	0.00
Plant & Equipment	0.76	4.19	1.75	0.93	0.04
Furniture & Fixtures	0.75	0.00	0.00	0.00	0.00
Vehicles	0.27	1.07	0.10	0.10	0.10
Electrical	0.75	1.66	1.09	4.85	0.20
CFT & Ambulance	5.03	6.00	12.00	0.00	0.00
Civil - others	0.00	6.07	1.20	0.10	0.00
Fencing	0.47				
Total	14.05	34.91	48.59	21.37	11.64

- 4.12 The revision pertains mainly to the initial year when some civil/ electrical items of work and costs relating to equipment which are normally considered as revenue expenditure were included in Capital Assets. These have to be excluded from the RAB. Therefore, the Authority has reduced the capital additions in the first year of the control period by Rs. 6.24 crs.



DEPRECIATION

MIHAN Submission

4.13 The depreciation for the initial and forecast RAB has been computed based on Straight Line Method (SLM) with no residual value.

4.14 Also, the following rates for depreciation as per the other tariff orders issued are considered for calculating the depreciation for the assets capitalized during the control period:

Table 7: Depreciation Rates as proposed by MIHAN

Asset Type	Useful Life in years	Depreciation Rate
Runway & taxiway	30	3.33%
Apron	30	3.33%
Roadways	30	3.33%
Boundary Wall	30	3.33%
Terminal Building	30	3.33%
IT	6	16.67%
Plant & Equipment	15	6.67%
Furniture & Fixtures	10	10.00%
Vehicles incl of ambulance	8	12.50%
Electrical	15	6.67%
CFT	10	10.00%
Civil – others	30	3.33%
Residential	30	3.33%
Major maintenance cost	15	6.67%
Fencing	5	20.00%

4.15 Based on the above assumptions, the depreciation calculated for opening RAB and additions to the RAB during the control period are as follows:-

Table 8: Depreciation Schedule as submitted by MIL

Dep for the year in INR crores	2016-17	2017-18	2018-19	2019-20	2020-21
Runway & taxiway	1.14	1.22	1.69	2.14	2.20
Apron	0.84	0.85	0.99	1.29	1.46
Roadways	0.29	0.49	0.65	0.67	0.85
Boundary Wall	0.12	0.14	0.15	0.15	0.15
Terminal Building	1.90	1.93	1.95	1.98	2.02
IT	0.01	0.01	0.01	0.01	0.00
Plant & Equipment	0.82	1.10	1.30	1.39	1.42
Furniture & Fixtures	0.11	0.11	0.03	-	-
Vehicles	0.03	0.11	0.18	0.20	0.21
Electrical	1.06	1.17	1.27	1.46	1.63
CFT	0.30	0.90	1.80	2.40	2.40
Civil – others	0.38	0.54	0.66	0.68	0.69

Residential	0.03	0.03	0.03	0.03	0.03
Major maintenance cost	-	-	-	-	-
Fencing	0.01	0.01	0.01	0.01	-
Total	7.05	8.62	10.73	12.41	13.06

Authority's Examination:

4.16 The Authority notes that MIL has adopted the SLM of depreciation based on the rates given above since 1995-96 till 2015-16. However, this is not in line with the guidelines and SLM has to be used for depreciating the assets in the control period as per the rates given above.

4.17 Accordingly, Authority has modified the opening assets of MIL as per the closing net block of assets given in the audited annual report 2015-16 of MIL, post which SLM is used for depreciating the assets during the control period.

4.18 Also, as mentioned in section 4.9, the Authority has bifurcated the terminal building into 95% aero and 5% non-aero and same has been accounted for purpose of arriving at the revised depreciation schedule as given in the table below:

Table 9: Revised Depreciation Schedule

Dep for the year) in INR crores	2016-17	2017-18	2018-19	2019-20	2020-21
Runway & taxiway	0.92	0.99	1.45	1.91	1.96
Apron	0.27	0.28	0.42	0.72	0.89
Roadways	0.16	0.34	0.50	0.52	0.70
Boundary Wall	0.11	0.17	0.18	0.18	0.18
Terminal Building	1.22	1.27	1.29	1.32	1.36
IT	0.05	0.06	0.06	0.06	0.11
Plant & Equipment	0.20	0.37	0.57	0.66	0.69
Furniture & Fixtures	0.08	0.12	0.86	-	-
Vehicles	0.04	0.12	0.19	0.21	0.22
Electrical	0.35	0.43	0.52	0.72	0.88
CFT	0.25	0.90	1.80	2.30	2.30
Civil – others	-	0.10	0.22	0.24	0.25
Residential	0.07	0.07	0.07	0.07	0.07
Major maintenance cost	-	-	-	-	-
Fencing	0.06	0.11	0.11	0.21	-
Total	3.78	5.33	8.26	9.12	9.61

4.19 The RAB as per MIHAN Submission

Table 10: RAB as per MIHAN Submission

Forecast Regulated Asset Base (RAB) in INR crores		Initial RAB				
		2016-17	2017-18	2018-19	2019-20	2020-21
Opening RAB (t-1)	OR	115.61	128.85	155.15	193.01	201.96
Commissioned assets	CA	20.28	34.91	48.58	21.37	11.64
Depreciation	DR	7.05	8.62	10.73	12.41	13.06



Disposals	DI	0.00	0.00	0.00	0.00	0.00
Incentive adjustments	IA	0.00	0.00	0.00	0.00	0.00
Closing RAB (t)	CR=OR+CA-DR-DI+IA	128.86	155.15	193.01	201.97	200.55
RAB for calculating ARR	RAB=(OR+CR)/2	122.24	142.01	174.08	197.49	201.26

4.20 The Revised RAB calculated by the Authority

Table 11: Revised RAB calculated by the Authority for the control period.

Forecast Regulated Asset Base (RAB) in INR crores		Initial RAB				
		2016-17	2017-18	2018-19	2019-20	2020-21
Opening RAB (t-1)	OR	88.12	98.39	127.97	168.31	180.56
Assets to be commissioned	CA	14.05	34.91	48.59	21.37	11.64
Depreciation	DR	3.78	5.33	8.26	9.12	9.61
Disposals	DI	0.00	0.00	0.00	0.00	0.00
Incentive adjustments	IA	0.00	0.00	0.00	0.00	0.00
Closing RAB (t)	CR=OR+CA-DR-DI+IA	98.39	127.97	168.31	180.56	182.59
RAB for calculating ARR	RAB=(OR+CR)/2	93.26	113.18	148.14	174.43	181.57

Decision No. 2 - Regulatory Asset Base

- The Authority has decided to accept the opening RAB based on the value of asset transferred by AAI to MIHAN.
- The Authority has allocated the value of the Terminal Building into Aeronautical/Non-Aeronautical in the ratio of 95:5.
- The Authority has treated all the additions to assets except some items in 2016-17 as Aero assets.
- The Authority has adopted the depreciation rates as proposed by the Authority in its policy on depreciation.
- The Authority has adopted the addition to the RAB in the Control period as stated in Table No.6 and depreciation on RAB as shown in the Table No.9.
- The Authority has adopted RAB during the control period as per Table 11 above.
- The Authority has decided to true up the opening RAB of the next control period depending upon the capital expenditure incurred and date of capitalization of underlying assets in a given year.



5 FAIR RATE OF RETURN (FRoR)

MIHAN submission

5.1 MIL in its submission has proposed the capital structure, funding mechanism, and FRoR as provided below:

Table 12: Fair Rate of Return (FRoR) proposed by MIL

		2016-17	2017-18	2018-19	2019-20	2020-21
Fair Rate of Return	$(g \times R_d) + ((1-g) \times R_e)$					
Debt in INR crores	D	108.84	143.75	181.45	189.54	184.36
Equity in INR crores R crores	E	20.00	20.00	20.00	20.00	20.00
Debt + Equity	C	128.84	163.75	201.45	209.54	204.36
Cost of debt	k_d	0.1	0.1	0.1	0.1	0.1
Cost of equity	k_e	0.2	0.2	0.2	0.2	0.2
Individual year gearing	G	0.8	0.9	0.9	0.9	0.9
Weighted average gearing	WG	0.9				
Weighted average cost of debt	R_d	10.5%				
Cost of equity	R_e	18.5%				
Fair Rate of Return	FRoR	11.4%	11.4%	11.4%	11.4%	11.4%

Authority's Examination

- 5.2 The Authority has proposed to fix fair return on equity at 16% p.a. as considered in the tariff determination process for other similar airports considering the higher risks involved in the project development.
- 5.3 The Authority has noted that the debt taken from MADC towards payment of outstanding salary has been included in the Capex requirement. It has to form a part of the working capital and interest if any on borrowing to repay the dues to AAI will form a part of the opex. Therefore, the calculation of debt for the control period has been modified for arriving at revised FRoR.
- 5.4 Additionally, the Authority has observed that the Debt of INR 86.22 crores towards AAI assets has been continued as a long term liability in the control period which is not getting reflected in the debt and equity calculation for weighted average cost of capital. Also, these assets have been included in the calculation of initial RAB and hence they should also form a part of WACC calculation. MIHAN has not stated the source of fund for repayment and any interest to be payable. In the absence of the same, the Authority proposes to consider this outstanding amount as a long term debt at zero percent interest rate from AAI (in absence of any agreement/document) and accordingly adjust the debt equity ratio for arriving at the revised WACC.



Table 13: Revised calculation for FRoR- as per Authority

		2016-17	2017-18	2018-19	2019-20	2020-21
Fair Rate of Return	$(g \times Rd) + ((1-g) \times Re)$					
Debt in INR crores	D	14.05	48.96	96.15	112.76	115.26
AAI assets as zero interest Debt in INR crores		86.22	86.22	86.22	86.22	86.22
Equity in INR Crores	E	20.00	20.00	20.00	20.00	20.00
Debt + Equity	C	120.27	155.18	202.37	218.98	221.49
Cost of debt	kd	10.5%	10.5%	10.5%	10.5%	10.5%
Cost of equity	ke	16.0%	16.0%	16.0%	16.0%	16.0%
Average cost of debt		1.5%	3.8%	5.5%	6.0%	6.0%
Individual year gearing	G	83.4%	87.1%	90.1%	90.9%	91.0%
Weighted average gearing	WG	87.9%				
Weighted average cost of debt	Rd	4.6%				
Cost of equity	Re	16.0%				
Fair Rate of Return	FRoR	5.9%	5.9%	5.9%	5.9%	5.9%

5.5 MIHAN does not have any internal accrual or reserve fund. Moreover, it has not stated how it will fund the future capital expenditure. In the absence of surplus internal accrual, the future capex has to be funded by equity/debt. In the absence of any specific information, the Authority has presumed that, the future capex will be funded through debt from MADC.

Stakeholders' comments and Authority's examination

Comments from AAI (vide letter dated 16.10.2017):

- 5.6 AAI was in dialogue with MIHAN to settle the financial terms with respect to the transfer of assets of AAI to MIL under the Joint Venture Agreement and reimbursement of cost of AAI man power to be received from MIL.
- 5.7 As no agreement could be reached between AAI and MIHAN, the assets valued at Rs.86.72 crores which were placed under the custody of MIL as on 7th Oct, 2009 need not be considered as part of the Regulatory Asset base of the MIL. It is requested that while determining the tariff for MIL this aspect may be taken into consideration.



MIL's submission to AAI's comments

5.8 MIL vide email dated 29.09.2017 conveyed its acceptance of AERA's proposals in the Consultation Paper and agree with the revised UDF rates and LPH charges as proposed by AERA.

Authority comment:

5.9 It is noted that the Asset valued at Rs. 86.72 crores has been placed with the custody of MIHAN and the same is being used for operation of the Airport. So it has been included in the RAB. However, in absence of any agreement regarding terms and conditions of transfer the amount of Asset has been treated as Zero interest debt from AAI.

Decision No. 3 - Fair Rate of Return

- a. The Authority has decided to consider the cost of equity as 16% p.a. and cost of debt as 10.5% p.a. for the control period.
- b. The Authority has considered the amount payable to AAI for the asset transferred as long term liability/debt at zero interest from AAI.
- c. The Authority has assumed that capital additions during the control period will be funded through debt.
- d. The FRoR will be fixed based on the actual debt equity ratio and actual cost of debt at the time of truing up in next control period.



6 OPERATION AND MAINTENANCE EXPENDITURE

MIHAN submission

- 6.1 The O&M expenses under various heads are calculated/ projected by escalating the O&M expenses as per the last audited financials of MIL based on their overall contribution and historical growth rate.

Table 14: Expense Heads

Expense head	
Employee costs	Cost of salary and other benefits provided to the payroll staff of MIHAN
Operating expenses	Operating expenses include fuel expenses, property tax, licence and registration fees
Repair and maintenance	Expenses towards annual repair and maintenance of existing facility
Administration expenses	Expenses towards AAI employees general administration, electricity and water charges, consulting fees, stationary etc.

- 6.2 The operating and maintenance expenditure for MIL is broadly divided into the following categories with escalations for the control period. As a practice, costs related to employees generally follow a higher than inflation growth rate (10-12%) compared with other O&M expenses.

- 6.3 Projected operation and maintenance cost for the control period.

Table 15: Opex as per MIL submissions

	2016-17	2017-18	2018-19	2019-20	2020-21
Opex in INR crores					
Employee Costs for MIL	1.62	1.82	2.04	2.28	2.56
Repair and Maintenance	6.53	7.18	7.90	8.69	9.56
Administration and General Exp	2.79	3.07	3.38	3.72	4.09
Rates and taxes	0.19	0.22	0.24	0.27	0.30
Legal Expenses	0.01	0.02	0.02	0.03	0.03
Consultancy/Advisory fees	0.18	0.23	0.28	0.35	0.44
AAI employees payment	15.71	17.28	19.01	20.91	23.00
Collection Charges On PSF(F)	0.14	0.15	0.16	0.18	0.19
License Fees	0.00	0.00	0.00	0.02	0.02
Outsourcing contractors expense	1.16	1.39	1.61	1.85	2.10
Utilities Charges	6.44	6.95	7.51	8.11	8.76
CISF collection shortfall	8.00	8.80	9.68	10.65	11.71
Total Costs	42.76	47.12	51.84	57.05	62.76



Authority's Examination:

- 6.4 The Authority observes that CISF shortfall expenses have been included under operational expenditure which is not correct. CISF expenses are to be borne out of PSF(SC) and any shortfall may not be passed to the passengers. Hence that component is deducted from the overall opex calculations.
- 6.5 The Authority has examined the projected items of operating expenses and there is no classification into opex attributed to aeronautical services and non-aeronautical services as submitted by MIL. Since the non –aeronautical assets are assumed at 5% only for Terminal Building the opex related to non-aeronautical assets for Terminal Building is also to be assumed at 5% and the same should be deducted from the calculation of aggregate revenue requirement.
- 6.6 The Authority has examined that the rise in AAI Employee's Salary has been taken as 30 % in first year and 10% in the next four years of control period. However, Authority has allowed 25% and 7% respectively for rise in salary as per the 7th pay commission in case of Trivandrum and hence Authority has reduced it to 25% and 7% respectively.
- 6.7 As per para 5.2.2 of this consultation paper, the Authority has proposed to add the financing charges on working capital as a part of opex calculations for arriving at ARR and consider actual opex incurred for 2016-17.
- 6.8 Base on the actual expenditure for 2016-17. The revised opex expenditure is given below:

Table 16: Revised Opex calculations

	2016-17	2017-18	2018-19	2019-20	2020-21
Opex in INR crores					
Employee Costs for MIL	1.45	1.63	1.82	2.04	2.29
Repair and Maintenance	5.04	5.54	6.10	6.71	7.38
Administration and General Exp	4.68	5.15	5.66	6.23	6.85
Rates and taxes	0.18	0.22	0.25	0.28	0.31
Legal Expenses	0.01	0.02	0.02	0.03	0.03
Consultancy/Advisory fees	0.18	0.22	0.28	0.35	0.43
AAI/ other employees payment	12.10	12.95	13.85	14.82	15.86
Collection Charges On PSF(F)	0.32	0.15	0.16	0.18	0.19
License Fees	0.02	0.02	0.02	0.02	0.02
Outsourcing contractors expense	1.45	1.32	1.53	1.75	1.99
Utilities Charges	5.85	6.31	6.82	7.36	7.95
Total Costs	31.27	33.53	36.52	39.77	43.31
Financing Charges	1.98	6.25	8.82	8.82	8.82
Total Opex for ARR	33.26	39.78	45.34	48.59	52.13



Decision No. 4 - Operating Expenditure

- a. The Authority has considered the operational and maintenance expenditure as given in Table No.16, for the determination of aeronautical tariff.
- b. The Authority decides to true up the operating expenditure for 2016-17 to 2020-21 of the 1st control period based on the actuals at the time of determination of tariffs for 2nd control period.



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7 REVENUE FROM SERVICES OTHER THAN AERONAUTICAL SERVICES

MIHAN submission

7.1 Revenue from Non-Aeronautical Services projected by MIHAN.

Table 17: Revenue from Non-Aeronautical Services as per MIL submissions

Non-Aeronautical Revenues in INR crores	2016-17	2017-18	2018-19	2019-20	2020-21
Existing Terminal					
License Fees	9.42	10.36	11.39	12.53	13.79
Retiring Room charges	0.00	0.00	0.00	0.00	0.00
Entry Ticket Collection	0.21	0.24	0.28	0.31	0.35
Pushback services charges	0.11	0.12	0.14	0.15	0.17
Other Collection	1.81	2.00	2.20	2.42	2.66
Royalty on L.Fee- GH	0.15	0.18	0.20	0.22	0.25
Advertising rent	1.87	2.06	2.26	2.49	2.74
Total Non-Aeronautical Revenue	13.57	14.95	16.46	18.13	19.95

7.2 The breakup of license fees as given in the proposal is given below:

Table 18: Breakup of License fees as per MIL submissions

In INR Crores	2016-17	2017-18	2018-19	2019-20	2020-21
L.F. For Paved & Unpaved Land - other 1	3.51	3.86	4.24	4.67	5.13
L.F. For Car Parking - other 2	1.15	1.27	1.39	1.53	1.69
License Fees	2.01	2.21	2.43	2.67	2.94
Royalty License Fees	2.03	2.23	2.46	2.70	2.97
L.F. For Airport Restaurant	0.33	0.36	0.40	0.44	0.49
L.F. For Snack Bar	0.30	0.33	0.37	0.40	0.44
L.F. For Bank ATM Counter	0.08	0.09	0.10	0.11	0.12
Total License Fees	9.42	10.36	11.39	12.53	13.79

Authority's Examination

7.3 The authority notes that the revenue from pushback charges and royalty from ground handling activities have been included in the non- aeronautical revenues which need to be treated as aeronautical revenue.

- 7.4 The Authority has considered actual NAR collected for 2016-17. Therefore the projections for each head under NAR will change since they are calculated with 2016-17 as the base year instead of 2015-16. As per the changes, the revised non-aeronautical revenue is as follows:

Table 19. Revenue from Non-Aeronautical Services as calculated by the Authority

Rs. Crs.

Non-Aeronautical Revenue in INR Crores	2016-17	2017-18	2018-19	2019-20	2020-21
Existing Terminal					
License Fees	8.32	9.15	10.07	11.08	12.18
Entry Ticket Collection	0.24	0.28	0.31	0.35	0.40
Other Collection	1.58	1.74	1.92	2.11	2.32
Advertising rent	1.87	2.05	2.25	2.48	2.73
Total Non-Aeronautical Revenue	12.01	13.22	14.55	16.02	17.63

Comments from ATA (vide letter dated 20.09.2017)

- 7.5 With regard to non-aeronautical revenues, ATA submitted that the non-aeronautical revenues of these airports are very low as compared to the privatized airports. Therefore, burden or such under-performance should not be passed on to the tariff and eventually to Air Travellers.

Authority's examination of ATA's comments

- 7.6 The Authority has given careful consideration to the comments from ATA on the non-aeronautical revenues. The Authority has noted that non-aeronautical revenues at these airports is low and would like the airport operator to take steps to increase these revenues. The Authority has proposed to true up non-aeronautical revenues if it they are 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. This would ensure that the benefit of higher non-aero revenues would be passed on to the passengers.

Decision No. 5 - Revenue from services other than aeronautical services

- a. The Authority has considered the Non-Aeronautical Revenue as given in Table No.19 for determination of Aeronautical Tariff.
- b. The Authority has decided that non-aeronautical revenue will be trued up if it is 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 revenue.



8. TAXATION

MIHAN Submission

8.1 As per the projected P&L for MIL over the control period, the Profit before Tax for each year is negative and hence the overall tax liability for MIL for the control period is zero as given in the table below:

Table 20: Tax liability as per MIL's submission

In INR Crores	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue					
Aero Revenue	23.59	29.17	32.51	35.99	39.82
Non-aero Revenue	13.57	14.95	16.46	18.13	19.96
Total	37.16	44.12	48.97	54.12	59.78
Opex	42.76	47.12	51.84	57.05	62.76
Total	42.76	47.12	51.84	57.05	62.76
EBITDA	-5.61	-3.00	-2.87	-2.93	-2.98
Depreciation	7.05	8.62	10.73	12.41	13.06
EBIT	-12.65	-11.62	-13.60	-15.35	-16.04
Interest on Debt	6.53	15.16	19.51	22.26	22.43
Interest on WC	0.67	1.05	1.05	1.05	1.05
PBT	-19.85	-27.82	-34.16	-38.66	-39.52
Tax	0.00	0.00	0.00	0.00	0.00
PAT	-19.85	-27.82	-34.16	-38.66	-39.52

Authority's Examination

8.2 The Authority observes that MIL has projected year on year losses and hence there is no tax liability post incorporation of all changes made by the Authority.

Table 21: Revised Net Tax liability as per Authority.

In INR Crores	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue					
Aero Revenue	24.30	30.20	38.09	42.22	46.75
Non-aero Revenue	12.01	13.22	14.55	16.02	17.63
Total	36.31	43.43	52.64	58.23	64.38
Opex	32.92	35.39	38.44	41.86	45.59



Total	32.92	35.29	38.44	41.86	45.59
EBITDA	3.39	8.14	14.20	16.38	18.79
Depreciation	3.78	5.33	8.26	9.12	9.61
EBIT	-0.39	2.82	5.94	7.25	9.18
Interest on Debt	0.84	3.78	8.71	12.53	13.68
Interest on WC	1.98	6.25	8.82	8.82	8.82
PBT	-3.22	-7.21	-11.58	-14.10	-13.32
Tax	0.00	0.00	0.00	0.00	0.00
PAT	-3.22	-7.21	-11.58	-14.10	-13.32

Decision No. 6 - Taxation

As there is no PBT as shown in Table No. 21, the Authority has not considered any Tax liability in calculation of ARR.

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9 AGGREGATE REVENUE REQUIREMENT

9.1 The Aggregate Revenue Requirement (ARR) computed by MIL for the first control period is as follows:

Table 22: ARR calculation as per MIL's submission

	2016-17	2017-18	2018-19	2019-20	2020-21
Aggregate Revenue Requirement in INR Crores					
FRoR X RAB	13.99	16.25	19.92	22.60	23.03
Depreciation	7.05	8.62	10.73	12.41	13.06
Operating and Maintenance Expenditure	42.76	47.12	51.84	57.05	62.76
Taxation	0.00	0.00	0.00	0.00	0.00
Less: 0.3*Non Aeronautical Revenue	4.07	4.49	4.94	5.44	5.99
Net ARR	59.73	67.50	77.55	86.63	92.86

Authority's Examination:

9.2 The Authority has made corrections in the FRoR, additions to RAB, depreciation, opex, Traffic projections and revenue calculations as stated in the previous chapters. Based on these changes, the revised ARR as per the Authority for the First Control Period is stated below:-

Table 23: Revised ARR calculation

	2016-17	2017-18	2018-19	2019-20	2020-21
Aggregate Revenue Requirement in INR Crores					
FRoR X RAB	5.54	6.73	8.80	10.37	10.79
Depreciation	3.78	5.33	8.26	9.12	9.61
Operating and Maintenance Expenditure	33.26	39.79	45.34	48.59	52.13
Taxation	0.00	0.00	0.00	0.00	0.00
Less: 0.3*Non Aeronautical Revenue	3.60	3.97	4.37	4.81	5.29
Net ARR	38.98	47.87	58.03	63.27	67.24

Decision No. 7 - Aggregate Revenue Requirement

The Authority has considered the ARR as determined in Table 23 for determination of aeronautical tariffs for the first control period.



10 TRAFFIC FORECAST

MIHAN Submission

10.1 Passenger, aircraft movement and cargo traffic for the control period have been projected based on the historical long term compounded growth rate combined with recent trends.

Table 24: Passenger Traffic at Nagpur Airport

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
Passenger In Numbers	FY11	FY12	FY13	FY14	FY15	FY16	CAGR
Domestic	1199567	1377039	1219,045	1220256	1356320	1520963	5%
International	37165	38700	43876	43581	44827	74278	15%
Total	1236732	1415739	1262921	1263837	1401147	1595241	5%

10.2 Projected growth rates as per MIHAN are given in table below:

Table 25: Projected growth rate for the control period

	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger Domestic	11 %	11 %	8 %	8 %	8 %
Passenger International	30 %	15 %	10 %	10 %	10 %
Freight Domestic	5 %	5 %	7 %	7 %	7 %
Freight International	7 %	7 %	10 %	10 %	10 %
ATM Domestic	10 %	10 %	7 %	7 %	7 %
ATM International	5 %	5 %	4 %	4 %	4 %

10.3 Based on the above the projected traffic for the airport is given in the table below:

Table 26: Projected traffic at Nagpur Airport

	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger in Nos.					
Domestic	1680664	1857134	1996419	2146150	2307112
Scheduled	1678983	1855277	1994422	2144004	2304804
Non-scheduled	1681	1857	1996	2146	2307
International	96561.4	111045.6	122150.2	134365.2	147801.7
Number of departing PAX Dom	839492	927638	997211	1072002	1152402
Number of departing PAX Int	48281	55523	61075	67183	73901
Total	1777226	1968179	2118569	2280515	2454913
Freight in tonnes					
Domestic	6256	6569	7029	7520	8047
International	517	553	608	669	736
SEZ Cargo					
Domestic	0	740	740	1490	2230
International	0	370	370	740	1100

Total	6773	8232	8747	10420	12113
Aircraft movement in Nos.					
Domestic	13834	15217	16282	17422	18641
International	882	926	963	1002	1042
Total no. of Flights	14716	16143	17245	18424	19683
Number of Landing Flights	7358	8072	8623	9212	9842
Number of flights in a day	21	23	24	26	27
Number of flights in an hour	1	1	1	2	2

Authority's Examination:

10.4 The Authority observed that the traffic data for 2016-17 is available. Accordingly, it was decided to adopt the actual traffic for 2016-17.

10.5 The Nagpur Airport has become a major Airport in 2015-16. However, the traffic statistics of past year has been analysed and it is noted that CAGR for the last five years in case of PAX and ATM are as follows:-

ATM	-	International	-	24.59 %
		Domestic	-	0.52 %
PAX	-	International	-	22.08 %
		Domestic	-	7.32 %

It is noted that CAGR of International ATM & PAX movement are high due to increase in ATM & PAX over the last 02 years by 50% on small base for previous year and not likely to be sustained over longer period. It has also noted that there is limited scope for growth due to capacity constraints at the airport. Moreover, the traffic movement for ATM and PAX in first six months of 2017-18 is almost same of 2016-17 with very small incremental growth. The share of international ATM and pax traffic is very small compared to total ATM and Pax movement. The projection made by MIHAN for domestic Pax and ATM is higher than 5 years CAGR. Accordingly the projection made by MIHAN for the period 2018-19 to 2020-21 has been taken for revenue forecast..

10.6 The Authority has adopted the actual traffic for 2016-17 and estimated the traffic on the basis of the growth rates as projected by MIL based on historic growth rate and current scenario. Accordingly the traffic projections have been revised & estimated as given in the table below.



Table 27: Projected traffic at Nagpur Airport

	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger in Nos.					
Domestic	1782212.0	1969344	2117045	2275823	2446510
Scheduled	1780430	1967375	2114928	2273548	2444064
Non-scheduled	1782	1969	2117	2276	2447
International	109263.0	125652	138218	152039	167243
Number of departing PAX Dom	890215	983687	1057464	1136774	1222032
Number of departing PAX Int	54632	62826	69109	76020	83622
Total	1891475	2094997	2255263	2427863	2613754
Freight in tonnes					
Domestic	6726.0	7062	7557	8086	8652
International	419.0	448	493	542	597
SEZ Cargo					
Domestic	0	740	740	1490	2230
International	0	370	370	740	1100
Total	7145	8621	9160	10858	12578
Aircraft movement in Nos.					
Domestic	14656.0	16122	17250	18458	19750
International	1406.0	1476	1535	1597	1661
Total no. of Flights	16062	17598	18785	20054	21410
Number of Landing Flights	8031	8799	9393	10027	10705
Number of flights in a day	23	25	26	28	30
Number of flights in an hour	1	2	2	2	2

Decision No 8 – Traffic Forecast

After evaluation of the traffic pattern and current situation, the following has been decided:

- To adopt the actual traffic for 2016-17.
- To take the traffic growth forecast by MIHAN for the period 2017-18 to 2020-21.
- To true up the traffic volume based on actual traffic in 1st control period while determining tariffs for the 2nd control period.



11 REVENUE FROM AERONAUTICAL SERVICES

MIHAN submission

11.1 The total Aeronautical revenues projected for the control period is given in the table below:

Table 28: Proposed Aeronautical Revenue as submitted by MIL

Aeronautical Revenue	INR in crs				
	1-Apr-16	1-Apr-17	1-Apr-18	1-Apr-19	1-Apr-20
Aeronautical Revenue	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
Aeronautical Revenue (Domestic)					
Landing fee					
ATR	0.23	0.26	0.30	0.33	0.38
NBA	12.02	13.89	15.60	17.53	19.69
WBA	-	-	-	-	-
Parking fee					
ATR	0.00	0.00	0.00	0.00	0.00
NBA	0.13	0.15	0.16	0.22	0.25
WBA	-	-	-	-	-
Housing Fee					
ATR	-	-	-	-	-
NBA	-	-	-	-	-
WBA	-	-	-	-	-
Aeronautical Revenue (International)					
Landing fee					
Narrow Body Aircraft	1.40	1.54	1.60	1.75	1.91
Wide Body Aircraft	-	-	0.27	0.30	0.33
Parking fee					
Narrow Body Aircraft	0.00	0.00	0.00	0.01	0.01
Wide Body Aircraft	-	-	0.00	0.00	0.00
Housing Fee					
Narrow Body Aircraft	-	-	-	-	-
Wide Body Aircraft	-	-	-	-	-
Passenger Service fee - Passenger facility	6.84	7.57	8.15	8.77	9.44
Cute charges for MIL	-	2.34	2.60	2.79	3.01
Freight					
International	0.26	0.28	0.31	0.34	0.38
Throughput charges	2.71	3.13	3.51	3.95	4.44
Total Aeronautical Revenue	23.59	29.17	32.51	35.99	39.82



Authority's Examination

11.2 The Authority has examined that the revenue from X-ray scanning of domestic cargo, pushback charges and royalty from ground handling activities into Aeronautical revenue and consider the aeronautical revenue for 2016-17 based on actual collection. MIL clarified that the CUTE facilities will be operational from January 2018 and the same has been apportioned in the revenue calculation under CUTE charges.

Table 29: Revised Aeronautical Revenue as calculated by the Authority

Aeronautical Revenue	1-Apr-16	1-Apr-17	1-Apr-18	1-Apr-19	1-Apr-20
Aeronautical Revenue	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
Aeronautical Revenue (Domestic)					
Landing fee	11.91	15.43	19.86	22.20	24.84
Parking fee	0.07	0.14	0.18	0.24	0.27
Housing Fee	0.0	0.0	0.0	0.0	0.0
Passenger Service fee - Passenger facility	7.41	8.00	8.67	9.34	10.05
Cute charges for MIL	0.00	2.02	2.76	2.97	3.20
Freight					
International	0.26	0.28	0.30	0.33	0.37
Domestic	0.24	0.59	0.62	0.72	0.82
Throughput charges	2.61	3.01	3.38	3.80	4.27
Royalty on L.Fee- GH	1.71	1.97	2.21	2.49	2.79
Pushback services charges	0.09	0.10	0.11	0.13	0.14
Total Aeronautical Revenue	24.30	30.20	38.09	42.22	46.75

Note: Aero revenue for 2016-17 is based on actual collection. For the year of 2017-18 Proposed increase in LPH tariff has been considered only from the effective date. For the rest of the control period it is projected based on assumptions stated in the previous chapters and proposed increase in LPH as proposed by MIHAN.

AERA



12 COMPARISON OF ARR WITH PROJECTED AERONAUTICAL REVENUE

MIHAN submission

12.1 Shortfall as per MIL for the first control period is as follows:

Table 30: Projected UDF as submitted by MIL

Revenue Shortfall	1-Apr-16	1-Apr-17	1-Apr-18	1-Apr-19	1-Apr-20
IN INR Crores	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
Forecast ARR	59.73	67.50	77.55	86.63	92.86
Actual Aeronautical Revenue w/o UDF	23.59	29.17	32.51	35.99	39.82
Revenue Shortfall	36.14	38.34	45.04	50.63	53.04
PV of Revenue Shortfall	36.14	34.40	40.42	45.44	47.59
No. of Departing Passengers					
Domestic	839491.7	927638.4	997211.2	1072002.1	1152402.2
International	48280.7	55522.8	61075.1	67182.6	73900.9
Total	887772.4	983161.2	1058286.3	1139184.7	1226303.1
Yield Per Passenger	407.1	389.9	425.6	444.5	432.5
Average	419.9				
Weighted Average UDF	386.1	331.2	361.1	376.6	366.1
Domestic UDF	386.1	331.2	361.1	376.6	366.1
International UDF	772.2	662.4	722.1	753.3	732.1
Average Domestic UDF in INR	364.2				
Average International UDF in INR	728.4				

Authority's Examination:

12.2 As per Authority's examination and revision of various building blocks, the shortfall in revenue is calculated as follows:

Table 31: Revised UDF as calculated by the Authority

Revenue Shortfall	1-Apr-16	1-Apr-17	1-Apr-18	1-Apr-19	1-Apr-20
IN INR Crores	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
Forecast ARR	38.98	47.87	58.03	63.27	67.24
Actual Aeronautical Revenue w/o UDF	24.30	30.20	38.09	42.22	46.75
Revenue Shortfall	14.68	17.65	19.94	21.05	20.49
PV of Revenue Shortfall	14.68	16.66	18.83	19.87	19.34
No. of Departing Passengers					
Domestic	890214.9	983687.5	1057464.0	1136773.8	1222031.9
International	54631.5	62826.2	69108.8	76019.7	83621.7
Total	944846.4	1046513.7	1126572.9	1212793.6	1305653.6
Yield Per Passenger	155.4	168.7	177.0	173.6	156.9
Average	166.3				
Weighted Average UDF	146.9	150.2	157.5	154.2	139.2
Domestic UDF	146.9	150.2	157.5	154.2	139.2
International UDF	293.7	300.4	314.9	308.3	278.4
Average Domestic UDF in INR	149.6				
Average International UDF in INR	299.2				



13 PROPOSED TARIFF AND UDF

MIHAN Submission

13.1 The proposed tariff and UDF amount for the first control period is calculated based on the following parameters. The tariff is calculated based on the Hybrid Till as per the revised guidelines of AERA. The resultant UDF for domestic and international Passenger has been apportioned in the ratio 1:2.

Table 32: Proposed revision in Tariff and UDF to be levied – MIL submission

Base Case		
Parameters		
1.	Hybrid Till	30% (NAR)
2.	LPH % Increase	30%
3.	Cost of Equity	18.5%
4.	Cost of Debt	10.5%
5.	PSF – Facilitation Component	Rs. 77
Result		
1.	UDF Domestic (INR/Passenger)	364.2
2.	UDF International (INR/Passenger)	728.4

13.2 The table below provides the revised LPH charges:

Table 33: Housing charges (International/Domestic charges)

Weight of Aircraft	Existing Rate per hour (Rs.)	Revised Rate per hour (Rs.)
Up to 40,000 Kgs	Rs. 3.50 per hour per 1,000 Kgs	Rs. 5.25 per hour per 1,000 Kgs
40,001 Kgs to 1,00,000 Kgs	Rs. 140/- Plus Rs. 6.80 per hour per 1,000 in excess of 40,000 Kgs	Rs. 210/- Plus Rs. 10.20 per hour per 1,000 in excess of 40,000 Kgs
Over 1,00,000 Kgs	Rs. 548/- Plus Rs. 10.30 per hour per 1,000 Kgs in excess of 1,00,000 Kgs	Rs. 822/- Plus Rs. 15.45 per hour per 1,000 Kgs in excess of 1,00,000 Kgs



Table 34: Parking charges (International/Domestic charges)

Weight of Aircraft	Existing Rate per Hour (Rs.)	Revised Rate per hour (Rs.)
Up to 40,000 Kgs	Rs. 1.80 per hour per 1,000 Kgs	Rs. 2.70 per hour per 1,000 Kgs
40,001 to 1,00,000 Kgs	Rs. 72/- Plus Rs. 3.40 per 1,000 Kg per hour of 40,000	Rs. 108/- Plus Rs. 5.10 per 1,000 Kg per hour of 40,000
Above 100 MT	Rs. 276/- Plus Rs. 5.20 per 1,000 Kg per hour in excess of 1,00,000 Kgs	Rs. 414/- Plus Rs. 7.80 per 1,000 Kg per hour in excess of 1,00,000 Kgs

Table 35: Landing charges (International/Domestic charges)

1. International Flights

Weight of Aircraft	Existing rate (Rs.)	Revised rate (Rs.)
Up to 10,00 Kgs	Rs. 122.10/- per 1,000 Kgs	Rs. 183.15/- per 1,000 Kgs
10,001 Kgs to 20,000 Kgs	Rs. 1221/- Plus Rs. 179.30 per 1,000 Kgs in excess of 10,000 Kgs	Rs. 1831.50/- Plus Rs. 268.95/- per 1,000 Kgs in excess of 10,000 Kgs
20,001 Kgs to 50,000 Kgs	Rs. 3014/- Plus Rs. 354.20 per 1,000 Kgs in excess of 20,000 Kgs	Rs. 4521/- Plus Rs. 531.30 per 1,000 Kgs in excess of 20,000 Kgs
50,001 Kgs to 1,00,000 Kgs	Rs. 13,640/- Plus Rs. 413.60 per 1,000 Kgs in excess of 50,000 Kgs	Rs. 20,460/- Plus Rs. 620.40 per 1,000 Kgs in excess of 50,000 Kgs
Over 1,00,000 Kgs	Rs. 34,320/- Plus Rs. 471.90 per 1,000 Kgs in excess of 1,00,000 Kgs	Rs. 51,480/- Plus Rs. 707.85 per 1,000 Kgs in excess of 1,00,000 Kgs

2. Domestic Flights

Weight of Aircraft	Existing rate (Rs.)	Revised rate (Rs.)
Up to 10,000 Kgs	Rs. 67.10 per 1,000 Kgs	Rs. 100.65 per 1,000 Kgs



10,001 Kgs to 20,000 Kgs	Rs. 671/- Plus Rs. 117.70 per 1,000 Kgs in excess of 10,000 Kgs	Rs. 1,006.50/- Plus Rs. 176.55 per 1,000 Kgs in excess of 10,000 Kgs
Over 20,000 Kgs	Rs. 1,848/- Plus Rs. 231/- per 1,000 Kgs in excess of 20,000 Kgs	Rs. 2,772/- Plus Rs. 346.50/- per 1,000 Kgs in excess of 20,000 Kgs

Authority's Examination

13.3 The Authority noted that the MIHAN proposed Tariff could not be made applicable from 01.04.2016. The Authority proposed that the revised tariff at Nagpur Airport will be applicable from 01.12.2017.

13.4 Further, the Authority noted that the revenue from tariff (Landing, Parking and Housing charges and UDF) as proposed by MIHAN will exceed the proposed ARR for the control period. Hence, the Authority proposed to reduce the UDF as submitted by MIHAN such that the revised tariff is equivalent to the ARR. The revised tariffs as applicable from 01.12.2017 as submitted by MIHAN and as proposed by the Authority are given in the Annexure-I.

ATA's comments

13.5 It was observed that the tariff is being calculated based on actuals/ projections. The efficiency of operations at various airports is not being considered at present. However, AERA has clarified that a study is being undertaken to factor this Issue. We suggest that, any revision in the projections resulting in lower tariff should be passed on to the Air Travellers on a periodical basis.

13.6 Charges should be optimized to make it affordable to the consumer without sacrificing the quality of the service.

13.7 We suggest that standard should be established, for service to be provided i.e. seating arrangement, essential services (catering, medicines, cleanliness of toilets etc.), proper & user-friendly facility in uniform pattern at all respective airports for senior citizens/ disabled air travellers - both at the ground and at the time of boarding/ de-boarding to/from the seats of aircrafts.

13.8 The airports in contention are not up to the mark in terms of service qualities. The tariffs should be linked to service quality levels.

13.9 ATS / CNS are also a regulated service as per the AERA Act. AERA should also consider determining the tariff for these services. Why the cost for these should be passed on to the airports.



Authority's examination of ATA's comments

- 13.10 With respect to the lower tariffs if O&M expenditure are revised, the Authority determines tariffs for a control period of 5 years. Hence, the Authority would consider the results of the study for reasonableness of the O&M expenditure while truing up the O&M expenditure of 2nd control period. This would be considered in the determination of aeronautical tariffs for 3rd control period. Hence, the impact of revision in projections of O&M expenditure would be considered in tariff determination of 3rd control period.
- 13.11 With respect to overall benchmark for service quality levels, the Authority has proposed to undertake a pilot study to assess the monitoring of service quality levels at a few select airports. The study will be objective, technology based and will focus on passenger experience as well as the views of the airlines. Based on the pilot study, the methodology will be defined and the service quality at all major airports will be assessed. The linking of tariffs to service quality levels can be made only after this exercise is carried out.
- 13.12 The Authority has noted ATA's comments on regulation of ANS charges. The Authority is currently in the process of determining the airport charges other than ANS at these airports. The Authority would separately issue guidelines and then, take up determination of the ANS charges.

IOCL's comments (vide letter dated 14.09.2017)

- 13.13 Presently MIHAN, Nagpur is charging Fuel throughput charges at the rate of Rs.540.86 per KL with applicable GST, which is applicable upto 30.09.2017.
- 13.14 Airport Operator in its document has submitted that the revenue derived from throughput charges have been proposed based on the projected aircraft growth and further escalation due to inflation at the rate of 5%
- 13.15 Apparently, it appears that the throughput rate shall be increased in future in line with the growth of aircraft movement over and above the annual escalation of 5% at Nagpur. The current throughput charge levied by MIHAN, Airport Operator is one of the highest in the country, which has been regularly criticized by the airlines.
- 13.16 Any increase in throughput rate will attract criticism from the airlines and hence the same be reviewed and brought down to rational level. Any new order may only be released on prospective basis.

Authority's examination of IOCL's comments

- 13.17 With respect to IOCL's comment on determining FTC on prospective basis, the Authority notes that the FTC at Nagpur and many other airports operated by AAI are subject to the commercial agreement between AAI and oil companies. In as much as, the Authority has considered FTC as an aeronautical charge and revenues arising therefrom as aeronautical revenues, such revenue in the hands of AAI would be reckoned towards aeronautical charges. Having considered all these factors, the Authority decides to accept levy of revised FTC as proposed by MIL. This rate shall be effective from 01.12.2017.



Business Aircraft Operators Association (BAOA)'s comments (vide letter dated 20.09.2017)

13.18 In respect of the tariff card proposed by the Authority, BAOA submitted as follows:

- i. **Ground Handling (GH) Charges:** Though the income from GH charges and FTC has been considered as aeronautical revenue, the GH charges for various such services undertaken at all these five public airports have not been proposed as part of the aeronautical tariff. The issue of GH charges to be treated as aeronautical services at an airport, as defined in AERA Act, has been repeatedly discussed in MoCA in the presence of AERA's representatives. It is, therefore, requested that separate proposal for GH charges at these five airports may please be immediately sought from airport operators as part of MYTP.
- ii. **Housing Charges:** As brought out during discussions on 18 September 2017, all the five airport operators be asked to specify the aeronautical assets being provided for housing of the aircraft, which attracts double the tariff than parking in the open on the tarmac. This is to ensure adherence to provision of AERA Act {(para 2(a)(iii)} wherein housing or parking an aircraft, in the hangar, or any other ground facilities offered in connection with aircraft operations, is an aeronautical service at public airports.
- iii. **Fuel Throughput charges (FTC):** On querying from public sector oil companies supplying ATF at these public airports, it has been learnt that these charges are not for any additional services provided by the airport operator. Therefore, FTC happens to be the illegal royalty being charged by airport operator at public airports. This is in contravention with NCAP 2016 and the recent AERA's Order 08/2017-18 (para 5b) on GH services prohibiting charging of royalty or revenue share in any form for aeronautical services.

Therefore please do not allow any FTC charges at these airports, in view of the fact that separate lease rentals are already being paid by all companies for using the premises of the airport for supplying fuel.
- iv. **Para 12b of Consultation Papers (waiving of landing and other charges to RCS flights):** Please refer common provision for all airports in this regard referring AERA's Order no. 20/2016-17 dt. 31 March 2017. It is pointed out that, due to delayed development of airport facilities at many major airports, this Order becomes non-implementable by airport operators citing reasons of congestions. Therefore, it is imperative for AERA to immediately monitor timely development of aeronautical infrastructure at all major airports to ensure all public airports continue to perform as per standards and deliver quality, continuity and reliability of the service as specified by Central Government (MoCA). Development expenditure is duly considered while deciding tariff thus, necessitating close monitoring.
- v. **Annual review of development activities at major airports by AERA:-** In order to discharge its duties, as mentioned in para 13(1)(d) of the Act, AERA must do annual review of approved development plans for all the major airports,



post approving the MYTP. In addition to the AAI managed airports, the other PPP model airports at major metros also fall under the same provision of AERA Act. The Operations, Management, Development Agreement (OMDA) signed with the PPP model public airports, would also require AERA to critical monitor the development part of the agreement as economic regulator. The operations and management part of OMDA would continue to be monitored by DGCA for annual review of 'airport license' for these public airports. Please ensure a mechanism is in place for monitoring the development of these airports, as per the approved master plan, to enable AERA perform its duties stated at AERA Act para 13(1)(d). This has become all the more necessary after shifting from 'single till' to 'hybrid till' to provide more non-aeronautical revenue for faster and timely development of aeronautical infrastructure at all these public airports.

It is submit that any unauthorized charge or delayed development at public airports would ultimately lead to unfair charges being levied to the fare paying public.

Authority's examination of BAOA's comments

- 13.19 The Authority has noted the comment from BAOA regarding the ground handling charges. In Nagpur, the Ground Handling Agents for scheduled operators are appointed by respective airlines. The Authority will separately fix the ground handling charges of independent service providers, of any.
- 13.20 The Authority has noted the comment from BAOA regarding the housing charges. The Authority clarifies that so far hangars have been considered as non-aeronautical assets by the Authority. However, if a view emerges that hangars are aeronautical facilities and should be considered as aeronautical assets then the Authority will come up with separate consultation and determine a methodology to determine the charges.
- 13.21 The Authority has noted the comment from BAOA regarding the FTC. The Authority notes that FTC is an aeronautical tariff which is used to recover the ARR during the control period. In case FTC charges are not levied, as proposed, then the other aeronautical charges such as landing, parking, housing and UDF would have to be increased to recover the ARR. The Authority further notes that it determines the ARR for a control period and the tariff structure, including FTC, to recover such ARR is proposed by the airport operator. Hence, as the ARR recovery in a control period is different for each of the airport, FTC can be different at each of these airports. Further, the Authority does not find any evidence under NCAP 2016 or AERA's Order no. 08/ 2017-18 that the royalty being charged on aeronautical services by airport operator at public airports is not allowed.



13.22 BAOA has commented on the difficulty in implementation of waiver of landing and other charges to RCS flights due to delay in development of facilities at major airports. In this regard, BAOA has requested the Authority to monitor timely development of aeronautical infrastructure at all major airports. The Authority does not see any difficulty in waiving of charges for the RCS flights. While determining the tariffs, the Authority considers the timely investments in improvement of airport facilities. Moreover, the Authority will undertake a pilot project to monitor the service quality parameters at the major airports based on which further steps will be taken to monitor service levels at all major airports. There is also a consultation mechanism in place to ensure that airport expansion takes place in a systematic manner.

Decision No. 9 - Regarding Tariff Card

The Authority has decided:

- a. to accept annual tariff proposal as given in Annexure-I for determination of tariff during the first control period.
- b. to combine the PSF(FC) component and UDF and term it as UDF.
- c. to continue with existing fuel throughput charges for the 1st control period.
- d. to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order No. G.17018/7/2001-AAI dated 9th Feb 2004 in order to encourage and promote intra-regional connectivity at CIA.
- e. to provide waiver of landing and other charges in line with National Civil Aviation Policy under Regional Connectivity Scheme.
- f. to consider shortfall/excess in revenues for the 1st control period based on proposed tariffs by the Authority, while determining aeronautical tariffs for the 2nd control period.

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14 SUMMARY OF ORDERS

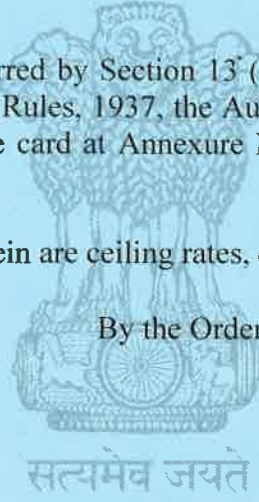
Decision No. 1	– Methodology of Tariff Determination	10
Decision No. 2	– Regulatory Asset Base	16
Decision No. 3	– Fair Rate of Return	19
Decision No. 4	– Operating Expenditure	22
Decision No. 5	– Revenue from services other than aeronautical services	24
Decision No. 6	– Taxation	26
Decision No. 7	– Aggregate Revenue Requirement	27
Decision No. 8	– Traffic Forecast	30
Decision No. 9	– Regarding Tariff Card	40



15. ORDER

- 15.1 In exercise of powers conferred by Section 13 (1) (a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines, the aeronautical tariffs to be levied at Nagpur Airport from 16.12.2017 to 31.03.2021 which are placed at **Annexure I**.
- 15.2 In exercise of powers conferred by Section 13 (1) (b) of the AERA Act, 2008, read with Rule 89 of the Aircraft Rules, 1937, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure I. These rates will be effective from 16.12.2017.
- 15.3 The tariffs determined herein are ceiling rates, exclusive of taxes, if any.

By the Order of and in the Name of the Authority



Puja Jindal
(Puja Jindal)
Secretary

To,

The Sr. Airport Director
MIHAN India Ltd.,
DBAI Airport,
Nagpur- 440005



16 LIST OF TABLES

<i>Table 1: Passenger Traffic at Nagpur Airport</i>	4
<i>Table 2 – Summary of stakeholders' comments</i>	8
<i>Table 3: Total value of Assets in the control period as submitted by MIL</i>	11
<i>Table 4: Re-calculation of opening RAB</i>	12
<i>Table 5: Proposed addition to RAB</i>	12
<i>Table 6: Revised additions to RAB Proposed</i>	13
<i>Table 7: Depreciation Rates as proposed by MIHAN</i>	14
<i>Table 8: Depreciation Schedule as submitted by MIL</i>	14
<i>Table 9: Revised Depreciation Schedule</i>	15
<i>Table 10: RAB as per MIHAN Submission</i>	15
<i>Table 11: Revised RAB calculated by the Authority for the control period.</i>	16
<i>Table 12: FRoR proposed by MIL</i>	17
<i>Table 13: Revised calculation for FRoR:</i>	18
<i>Table 14: Expense Heads</i>	20
<i>Table 15: Opex as per MIL submissions</i>	20
<i>Table 16: Revised Opex calculations</i>	21
<i>Table 17: Revenue from Non-Aeronautical Services as per MIL submissions</i>	23
<i>Table 18: Breakup of License fees as per MIL submissions</i>	23
<i>Table 19: Revenue from Non-Aeronautical Services.</i>	24
<i>Table 20: Tax liability as per MIL's submission</i>	25
<i>Table 21: Revised Net Tax liability as per Authority.</i>	25
<i>Table 22: ARR calculation as per MIL's submission</i>	27
<i>Table 23: Revised ARR calculation</i>	27
<i>Table 24: Passenger Traffic at Nagpur Airport</i>	28
<i>Table 25: Projected growth rate for the control period</i>	28
<i>Table 26: Projected traffic at Nagpur Airport</i>	28
<i>Table 27: Projected traffic at Nagpur Airport</i>	30
<i>Table 28: Proposed Aeronautical Revenue as submitted by MIL</i>	31
<i>Table 29: Revised Aeronautical Revenue as calculated by the Authority</i>	32
<i>Table 30: Projected UDF as submitted by MIL</i>	33
<i>Table 31: Revised UDF as calculated by the Authority</i>	33
<i>Table 32: Proposed revision in Tariff and UDF to be levied</i>	34
<i>Table 33: Housing charges (International/Domestic charges)</i>	34
<i>Table 34: Parking charges (International/Domestic charges)</i>	35
<i>Table 35: Landing charges (International/Domestic charges)</i>	35



Annexure 1: Tariff Card determined by the Authority from 16.12.2017 or the date of issuance of AIC, whichever is later, to 31.03.2021.

The table below provides the charges determined by the Authority:

A. Housing charges (International/Domestic charges)

Weight of Aircraft	Revised Rate per hour (Rs.)
Up to 40,000 Kgs	Rs. 5.25 per hour per 1,000 Kgs
40,001 Kgs to 1,00,000 Kgs	Rs. 210/- Plus Rs. 10.20 per hour per 1,000 in excess of 40,000 Kgs
Above 1,00,000 Kgs	Rs. 822/- Plus Rs. 15.45 per hour per 1,000 Kgs in excess of 1,00,000 Kgs

B. Parking charges (International/Domestic charges)

Weight of Aircraft	Revised Rate per hour (Rs.)
Up to 40,000 Kgs	Rs. 2.70 per hour per 1,000 Kgs
40,001 to 1,00,000 Kgs	Rs. 108/- Plus Rs. 5.10 per 1,000 Kg per hour of 40,000
Above 1,00,000 Kgs	Rs. 414/- Plus Rs. 7.80 per 1,000 Kg per hour in excess of 1,00,000 Kgs

C. Landing charges (International/Domestic charges)

1. International Flights

Weight of Aircraft	Revised rates (Rs.)
Up to 10,00 Kgs	Rs. 183.15/- per 1,000 Kgs
10,001 Kgs to 20,000 Kgs	Rs. 1831.50/- Plus Rs. 268.95/- per 1,000 Kgs in excess of 10,000 Kgs
20,001 Kgs to 50,000 Kgs	Rs. 4521/- Plus Rs. 531.30 per 1,000 Kgs in excess of 20,000 Kgs
50,001 Kgs to 1,00,000 Kgs	Rs. 20,460/- Plus Rs. 620.40 per 1,000 Kgs in excess of 50,000 Kgs
Above 1,00,000 Kgs	Rs. 51,480/- Plus Rs. 707.85 per 1,000 Kgs in excess of 1,00,000 Kgs



2. Domestic Flights

Weight of Aircraft	Revised Rates (Rs.)
Up to 10,000 Kgs	Rs. 100.65 per 1,000 Kgs
10,001 Kgs to 20,000 Kgs	Rs. 1,006.50/- Plus Rs. 176.55 per 1,000 Kgs in excess of 10,000 Kgs
Above 20,000 Kgs	Rs. 2,772/- Plus Rs. 346.50/- per 1,000 Kgs in excess of 20,000 Kgs

D. User Development Fee (UDF)

Particulars	Rate (Rs.)
Domestic UDF Embarking Passenger	Rs. 377
International UDF Embarking Passenger	Rs. 227

Note: For calculating the UDF in foreign currency, the RBI reference 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.

E. Passenger Service Fee (PSF)- Security*

Per Embarking Passenger
Rs. 130

* PSF- Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable.

F. Throughput Charges

Rate Per KL (In Rs.)
Rs. 540.80

