

File No. AERA/20010/MYTP/AAI-Ahmd/CP-II/2015-16/Vol-I

Order No. 14/2018-19



**Airports Economic Regulatory Authority of India**

सत्यमेव जयते

**In the matter of determination of aeronautical tariffs in respect of Sardar  
Vallabhbhai Patel International Airport, Ahmedabad (SVPIA) for the second  
Control Period  
(01.04.2016 – 31.03.2021)**

23<sup>rd</sup> July, 2018

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



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## 1. Introduction

1.1. Ahmedabad is the largest city in the state of Gujarat. Located on the banks of the Sabarmati River, Ahmedabad, an exciting mixture of traditions and modernism, is a city of delight for archaeologists, architects, historians, traders and tourists. It is the commercial capital and major industrial centre of Gujarat and it is one of the largest exporters of gems and jewellery in the country.

1.2. The Sardar Vallabhbhai Patel International Airport, Ahmedabad (SVPIA) is an international airport owned and managed by AAI. The traffic handled by SVPIA during the 1<sup>st</sup> control period is given in table below:

Table 1 - Passenger and ATM traffic during the 1<sup>st</sup> control period at SVPIA

Year	Dom. Pax (mn)	Int. Pax (mn)	Total Pax (mn)	Dom. ATMs	Int. ATMs	Total ATMs
2012	4.0	0.7	4.7	34,911	5,595	40,506
2013	3.3	0.8	4.2	32,405	5,884	38,289
2014	3.6	1.0	4.6	34,687	7,542	42,229
2015	3.8	1.2	5.1	30,621	8,176	38,797
2016	4.9	1.6	6.5	36,779	10,416	47,195

1.3. SVPIA, with a traffic of more than 1.5 mppa, is a major airport as defined in Section 2 (i) of AERA Act. Accordingly, tariff determination of aeronautical services at the airport is undertaken by AERA.

1.4. Technical and Terminal building details of SVPIA are provided in the table below:

Table 2 – Technical and Terminal building details of SVPIA

Technical Details of SVPIA	
Particulars	Details
Total airport area	987 Acres
Runway orientation and length	05/23; 3,505 meters x 45 meters
No. of Taxi Tracks	8
No. of Apron Bays	33
Aerodrome Category	4E
Navigational Aids	ILS-RWY 23 with Cat-I Approach Lighting, RWY 05 Simple Approach lighting System, RADAR - ASR / SSR (Mode S), ADS-B, Automation System with Software Support Facility, Simulator (INDRA), DVOR, DME, VHF/RCAG/VCCS/DVTR





Operational hours	24	
<b>Terminal building Details</b>		
<b>Particulars</b>	<b>Domestic (T-I)</b>	<b>International (T-II)</b>
Terminal Building Area	29,413 Sq.m.	41,000 Sq.m.
Immigration Counters	-	33
Customs Counters	-	4
Security Counters	9	5
Departure Conveyor	1	2
Arrival Conveyor	3	5
Peak hour passenger capacity	1,200	1,600
No. of Check-in Counters (CUTE)	23	32
Total Area of Car Parking	10,787 Sq.m.	17,621 Sq.m.

- 1.5. AAI had submitted Multi Year Tariff Proposal (MYTP) for revising aeronautical charges for 2<sup>nd</sup> control period on 11.01.2017. The Authority's consideration of this proposal and its tentative views in respect of relevant issues were placed for stakeholder consultations vide Consultation Paper Number 03/2018-19 on 23.04.2018.
- 1.6. Subsequent to the issue of consultation paper, the Authority had organized stakeholder consultation meeting at Ahmedabad airport on 11.05.2018. During the stakeholder consultation meeting, AAI had requested Authority to consider the revised proposals in respect of additional capital expenditure, traffic projections and tariff card. Accordingly, the Authority issued Addendum to Consultation Paper No. 03/2018-19 dated 21.05.2018. The last date to receive comments from the stakeholders was 31.05.2018.
- 1.7. This order of the Authority takes into account proposals of AAI, 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.
- 1.8. The Authority, vide its Order No. 02/ 2010-11 had decided to levy on ad-hoc basis an UDF of INR 110 per embarking domestic passenger and INR 415 per embarking international passenger at SVPIA, Ahmedabad. The Authority vide its Order No. 14/2015-16 dated 17.04.2015 had decided to continue the tariffs including the aforesaid UDF at then existing level on ad hoc basis, for all components of aeronautical services rendered at SVPIA, Ahmedabad.





## 2. Summary of stakeholders' comments on Consultation Paper No. 03/2018-19

2.1. In response to Consultation Paper No. 03/2018-19 and Addendum to Consultation Paper No. 03/2018-19, the Authority received several responses from stakeholders. The list of stakeholders, who have commented on the Consultation Paper, is presented below.

Table 3 – Summary of stakeholders' comments

Sr. No.	Stakeholder	Issues Commented
1.	International Air Transport Association (IATA)	<ul style="list-style-type: none"> <li>• Methodology of Tariff Determination</li> <li>• True-up for First control period</li> <li>• Traffic forecast</li> <li>• Allocation of Assets (Aeronautical and Non-Aeronautical)</li> <li>• Opening RAB for 2<sup>nd</sup> control period</li> <li>• Capital expenditure for 2<sup>nd</sup> control period</li> <li>• Depreciation</li> <li>• RAB for 2<sup>nd</sup> control period</li> <li>• Fair Rate of Return</li> <li>• Revenues from services other than aeronautical services</li> <li>• Operation and Maintenance Expenditure</li> <li>• Taxation</li> <li>• Annual Tariff Proposal</li> </ul>
2.	Federation of Indian Airlines (FIA)	<ul style="list-style-type: none"> <li>• Methodology of Tariff Determination</li> <li>• Cost of land</li> <li>• True-up for First control period</li> <li>• Traffic forecast</li> <li>• Capital expenditure for 2<sup>nd</sup> control period</li> <li>• RAB for 2<sup>nd</sup> control period</li> <li>• Fair Rate of Return (FRoR)</li> <li>• Cargo revenues</li> <li>• Aggregate Revenue Requirement (ARR)</li> <li>• Annual Tariff Proposal</li> </ul>
3.	BAOA	<ul style="list-style-type: none"> <li>• Cost of land</li> <li>• Fair Rate of Return (FRoR)</li> <li>• Annual Tariff Proposal</li> </ul>
4.	AOC	<ul style="list-style-type: none"> <li>• Quality of Service</li> </ul>
5.	HPCL	<ul style="list-style-type: none"> <li>• Annual Tariff Proposal</li> </ul>



2.2. The Authority has carefully considered the comments made by stakeholders and has obtained response from AAI on these comments. The position of the Authority in its Consultation Paper No. 03/2018-19 and Addendum to Consultation Paper, issue-wise comments of the stakeholders on the Consultation Paper, response from AAI thereon, Authority's examination, and its decision are given in the relevant sections of this order.



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### 3. Methodology for Tariff determination

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 the guidelines vide its Order No. 14, 2016-17 dated 12.1.2017 to determine future tariffs using Hybrid Till.

3.2. The tariff determination process consists of true-up for 1<sup>st</sup> control period and determination of building blocks for 2<sup>nd</sup> control period. The Authority has proposed to undertake true-up of 1<sup>st</sup> control period based on actual financials and traffic data under Single Till (as was applicable during 1<sup>st</sup> control period) and determination of building blocks for 2<sup>nd</sup> control period under Hybrid Till.

3.3. The Aggregate Revenue Requirement (ARR) under regulatory framework of Authority is calculated as under

$$ARR = \sum_{t=1}^5 (ARR_t) \text{ and}$$

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

Where

3.3.1. t is the Tariff Year in the control period;

3.3.2.  $ARR_t$  is the Aggregate Revenue Requirement for year t;

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

3.3.4.  $RAB_t$  is the Aeronautical Regulatory Asset Base for year t;

3.3.5.  $D_t$  is the Depreciation corresponding to the Aeronautical RAB for year t;

3.3.6.  $O_t$  is the Aeronautical Operation and Maintenance Expenditure for year t, which include all expenditures incurred by the Airport Operator(s) towards aeronautical activities including expenditure incurred on statutory operating costs and other mandatory operating costs;

3.3.7.  $T_t$  is the Tax in year t, which includes payments by Airport Operator in respect of corporate tax on income from assets/ amenities/facilities/services taken into consideration for determination of ARR for year t;

3.3.8.  $\alpha$  is 30% cross subsidy factor for revenue from services other than aeronautical services under Hybrid Till for 2<sup>nd</sup> control period.  $\alpha$  is 100% cross





subsidy factor under Single Till for 1<sup>st</sup> control period; and

3.3.9.  $NAR_t$  is the revenue from services other than aeronautical services (Non-Aeronautical Revenues or NAR) for year t.

3.4. Based on ARR, Yield per Passenger is calculated as per formula given below:

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

Where,

3.4.1. Present value (PV) of  $ARR_t$  for a tariff year t is calculated at the beginning of the control period and the discounting rate for calculating PV is equal to the Fair Rate of Return determined by the Authority.

3.4.2.  $VE_t$  is the Traffic volume in a tariff year t as estimated by the Authority

3.4.3.  $ARR_t$  is the Aggregate Revenue Requirement for tariff year t.

3.5. While determining building blocks and ARR for SVPIA, Authority had proposed to-

3.5.1. Allocate CHQ/ RHQ overhead expenses on revenue basis as per the approach followed by the Authority while determining tariffs for Guwahati and Lucknow airports during 1<sup>st</sup> control period

3.5.2. Adopt depreciation rates consistent with Companies Act and for assets not defined in the Companies Act at 3.33% till FY 2017-18.

3.5.3. Adopt depreciation rates consistent with Authority's order "In the matter of Determination of Useful life of Airport Assets" (Order No. 35/2017-18) from FY 2018-19 onwards.

3.6. The Authority caps airport tariffs at a level where revenue generated through approved tariffs is equal to the permissible ARR for the Airport Operator. The Authority's approach on the above is detailed in subsequent sections.

3.7. The true-up for 1<sup>st</sup> control period and determination of building blocks for 2<sup>nd</sup> control period are detailed in subsequent sections.

3.8. It is to be noted that some of the numbers in the order are rounded off for ease in representation.

### ***Stakeholders' comments and Authority's observations***

#### ***Comments from IATA***

3.9. Regarding adoption of Hybrid Till, IATA submitted that –



3.9.1. We find important to once again emphasise our disagreement of shifting from Single to a Hybrid till basis for the second control period, as it unnecessarily increases costs for consumers. In this regard, it is a great disappointment that AERA has proceeded to adopt the Hybrid till approach which will make aeronautical charges more expensive and goes against the fundamental requirements to boost air connectivity as envisaged by the National Civil Aviation Policy 2016 in a sustainable manner.

3.9.2. It should be noted that a significant part of the reductions in the second control period is driven by the one-off adjustment related to the true up exercise of the first control period. Users could therefore face steep increases for the third period which could have been avoided (or minimized) if the Single till approach had been maintained.

**Comments from FIA**

3.10. Regarding adoption of Hybrid Till, FIA submitted that –

3.10.1. In para 3.2 of the Consultation Paper No. 03/2018-19, it is stated that AAI had earlier made Multi Year Tariff Proposal (MYTP) submission to the Authority for determination of tariffs for the 2<sup>nd</sup> control period for SVPIA under the Single Till. Further, it is stated that the Authority had issued the Consultation Paper No. 11/2015-16 on 16.03.2016 to determine the Aeronautical Tariffs under Single Till and the stakeholder consultation process was completed. While the Authority was finalizing the tariff order and undertaking discussions on appropriate methodology for apportionment of “CHQ/ RHQ” expenses, the National Civil Aviation Policy, 2016 (NCAP) was released in June, 2016. Subsequent to the announcement of the NCAP, AAI made submissions under Hybrid Till on 11.01.2017. AAI has further revised their submission under Hybrid Till on 01.02.2018; 16.02.2018 and on 19.03.2018 as part of clarifications submitted by AAI for the 2<sup>nd</sup> control period.

3.10.2. It is not denied that FIA is not the stakeholder for determination of tariff of SVPIA. FIA submits that as per a catena of judicial pronouncements, it is a well settled principal of doctrine of natural justice - 'audi alteram partem' (meaning



hear the other side), that before taking any decision/action affecting the rights and liabilities of an individual/entity, an opportunity of showing cause and to submit response thereto has to be afforded to the person whose rights and/or liabilities may be affected. This principle is further enshrined under section 13 (4) of the AERA Act, which provides that the Authority shall ensure transparency while exercising its powers and discharging its functions, inter alia:

- (a) by holding due consultations with all stakeholders with the airport;
- (b) by allowing all stake-holders to make their submissions to the authority;
- and
- (c) by making all decisions of the authority fully documented and explained.

3.10.3. FIA would also like to mention that in the recent Order dated 23<sup>rd</sup> April, 2018 passed by the Hon'ble Telecom Disputes Settlement & Appellate Tribunal, New Delhi in the case of *Federation of Indian Airlines vs. Airport Economic Regulatory Authority of India & Ors.* - AERA Appeal No. 6 of 2012 and Delhi International Airport Ltd. (DIAL) vs. *Airport Economic Regulatory Authority of India & Ors.* - Appeal No. 10 of 2012 (**DIAL Order**), it has been inter alia held that "...request for supply of documents by a stakeholder should ordinarily be accepted" and "...There is no doubt that the principles of fairness and transparency are very valuable and must be scrupulously followed by the Regulator in the exercise of fixation of tariffs.."

3.10.4. FIA submits that it has not been provided with the copies of the additional submissions of AAI dated 01.02.2018; 16.02.2018 and 19.03.2018 made by AAI and is accordingly unable to appreciate, assess and comprehend the facts and figures (and any comparison thereto) of the CP in its entirety and actuality. Thus, FIA hereby request that the above mentioned MYTP submissions as submitted by the AAI may be made available to all the stakeholders (including FIA) for perusal and comments so as to ensure complete transparency and to enable FIA to submit requisite and consolidated observations / comments to the present CP.





3.10.5. To the dismay of the Stakeholders (including airlines), the Authority vide the present Consultation Paper has *simplicitor* accepted AAI's claims without conducting its own independent financial study and prudence check or commissioning experts.

3.10.6. It is regrettable that the Authority in the year 2012 i.e. at the time of issuance of DIAL Tariff Order (No.3/2012-13) had decided to commission its own experts has failed to do so till now.

3.10.7. In para 2.1 of Consultation Paper No. 03/2018-19, it is stated that 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) had issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, after the issuance of NCAP, the Authority has amended guidelines vide its Order No. 14, 2016-17 dated 12.01.2017 to determine future tariffs using Hybrid Till. It is to be noted that issuance of the policy that is NCAP cannot be used to override the statutory provision i.e. Section 13 (1) (v) of the AERA Act. Hybrid till is followed, which is in contravention to AERA tariff guidelines. In this context, the following facts are noteworthy:

3.10.8. It is noteworthy that in a matter pending adjudication before the Hon'ble Airports Economic Regulatory Authority Appellate Tribunal ("AERAAT"), MoCA had submitted by way of its Counter-Affidavit that the Authority is an independent regulator and suggestions of Government of India/ MoCA are not legally binding on it. Further, it has submitted that MoCA has no role to play with respect to determination of aeronautical tariff. The Authority being a party to the said matter is aware of the contents of MoCA's Counter Affidavit in the said matter.

3.10.9. It is submitted that Single Till is premised on the following legal framework being:

(a) Section 13(1)(a)(v) of AERA Act envisages that while determining tariff for aeronautical services, the Authority shall take into consideration revenue



received from services other than the aeronautical services.

(b) Clause 4.2 of AERA Guidelines recognizes Single Till approach which sets out the following components on the basis of which ARR will be calculated:-

- (i) Fair Rate of Return applied to the Regulatory Asset Base
- (ii) Operation & Maintenance Expenditure
- (iii) Depreciation
- (iv) Taxation
- (v) Revenues from services other than aeronautical services

(c) AERA in its Single Till Order has held that "Single Till is most appropriate for the economic regulation of major airports in India".

3.10.10. It is submitted that determination of aeronautical tariff warrants a comprehensive evaluation of the economic model and realities of the airport – both capital and revenue elements. AERA's approach of Hybrid Till for SVPIA deserves to be discarded.

3.10.11. In the Single Till Order, Authority has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the Authority in its inter alia Single Till Order has:

- (a) Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements.
- (b) Taken into account the legislative intent behind Section 13(1)(a)(v) of the AERA Act.
- (c) Concluded that the Single Till is the most appropriate for the economic regulation of major airports in India.
- (d) The criteria for determining tariff after taking into account standards followed by several international airports (United Kingdom, Australia, Ireland and South Africa) and prescribed by ICAO.

3.10.12. The Authority in its AERA Guidelines (Clause 4.3) has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services. In this respect, the matter must be dealt with by the



Authority considering the ratio pronounced by the Constitutional Bench in the Hon'ble Supreme Court Judgment in PTC vs. CERC reported as (2010) 4 SCC 603 (please ref: Paragraph Nos. 58 to 64 at Page Nos. 639 to 641) wherein it is specifically stated that regulation under an enactment/statute, as a part of regulatory framework, intervenes and even overrides the existing contracts between the regulated entities inasmuch as it casts a statutory obligation on the regulated entities to align their existing and future contracts with the said regulations.

3.10.13. The fundamental reasoning behind 'Single Till' approach is that if the consumers/passengers are offered cheaper air-fares on account of lower airport charges, the volume of passengers is bound to increase leading to more foot-fall and probability of higher non-aeronautical revenue. The benefit of such non-aeronautical revenue should be passed on to consumers/passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be taken into account by the Authority.

3.11. FIA therefore submits as under:

- (a) Single Till Model ought to be applied to ALL the airports regulated and operated by the Authority regardless of whether it is a public or private airport or works under the PPP model and in spite of the concession agreements as the same is mandated by the statute.
- (b) Single Till is in the public interest and will not hurt the investor's interest and given the economic and aviation growth that is projected for India, Fair Rate of Return (FRoR) alone will be enough to ensure continued investor's interest.
- (c) MoCA's view(s) with respect to any issue at best can be considered as that of a Stakeholder and by no means are binding to Authority's exercise of determination of aeronautical tariff as is admitted by MoCA itself before the AERAAT.

3.12. In view of the above, it is submitted without prejudice that determination of





aeronautical tariff on Hybrid Till basis for the 2<sup>nd</sup> second control period would set the tone and precedent for determination of aeronautical tariff in subsequent control periods contrary to the applicable legal framework. Thus, it is submitted that Authority should discard the option of determination of aeronautical tariff on Hybrid Till and follow Single Till scrupulously.

3.13. Regarding the delay in order to incorporate "Hybrid Till", FIA submits that –

3.13.1. As submitted by FIA in para 5(a) above, it can be seen that due to the multiplicity of submissions made by AAI at different time intervals (which have also not been shared with the relevant stakeholders), there is an apparent delay in the incorporation of the Hybrid Till mechanism of determination of tariff, which are now being proposed to be made applicable from 01.06.2018 instead of 01.04.2016. This is without prejudice to the fact that FIA has been opposing the incorporation of Hybrid Till mechanism in place/substitution of Single Till mechanism for determination of tariff, as mentioned above. The delay has adversely affected the just and fair charge of aeronautical tariffs being charged to the passengers. Further, as per para 3.34 of the Consultation Paper No. 03/2018-19 is, FIA understands that process of privatization of O&M of terminal at SVPIA is presently ongoing and in case of any major changes following such privatization, AERA will consider the revised proposal, if required. FIA humbly submits that as the UDF (for domestic and international passengers) have been reduced (i.e. INR 99) in the Addendum, the Authority must endeavor to not permit any increase of UDF following the privatization of the terminal at SVPIA.

3.14. In addition to the above submissions, it is respectfully submitted that airlines and consequently, passengers will have to bear the burden of increase in Aeronautical Tariffs as proposed by AAI and the Authority. It is noteworthy that Airlines and passengers must not be burdened with any tariff to be collected to fund the capital investments of a private concessionaire.

3.15. The Authority is aware that airlines have been going through difficult times with high prices of crude oil. Increase in aeronautical tariff as proposed by the Authority will



erode airlines capabilities to increase fares to sustain its operational capabilities.

3.16. FIA reiterates its submission that there is a critical relationship between passenger traffic and growth of the civil aviation sector. What would benefit both the airport operator as well as the airlines is a reasonable and transparent passenger tariff, both direct and indirect – since then the airlines will be able to attract more passengers and the airports would benefit both through higher collection of aeronautical charges as also enhanced non-aeronautical revenue at the airports. In FIA's view, the airport should be regarded as a single business as its aeronautical and non-aeronautical revenues are intertwined.

3.17. It is submitted that order passed by an administrative authority, affecting the rights of parties, must be a speaking order supported with reasons. It is well settled position of law that:

- (a) Reasons ought to be recorded even by a quasi-judicial authority.
- (b) Insistence on recording of reasons is meant to serve the wider principle of justice that justice must not only be done it must also appear to be done as well.
- (c) Recording of reasons also operates as a valid restraint on any possible arbitrary exercise of judicial and quasi-judicial or even administrative power.
- (d) Insistence on reason is a requirement for both accountability and transparency.
- (e) Reasons in support of decisions must be cogent, clear and succinct.
- (f) A pretence of reasons or 'rubber-stamp reasons' is not to be equated with a valid decision-making process.
- (g) Requirement of giving reasons is virtually a part of 'Due Process'.

3.18. In view of the foregoing submissions, it is submitted that the Authority ought to pass reasoned order on issues mentioned above, after the stakeholders are provided with all the relevant copies of the submissions made by AAI and any study report conducted by technical experts etc. for making any additional/final submissions on this CP.

3.19. In view of the above, it is respectfully prayed that the Authority keeps in mind the



interests of the airlines and civil aviation sector before finalizing any decisions regarding increase in Aeronautical Tariffs and other charges. AAI's proposal, if accepted, will have cascading impact on the airlines and consequently, on the civil aviation industry.

3.20. FIA humbly submits that any reliance by FIA in the present submission, on the DIAL Order dated 23<sup>rd</sup> April 2018 passed by the Hon'ble Telecom Disputes Settlement & Appellate Tribunal, New Delhi in the case of Federation of Indian Airlines vs. Airport Economic Regulatory Authority of India & Ors. - AERA Appeal No. 6 of 2012 and Delhi International Airport Ltd. (DIAL) vs. Airport Economic Regulatory Authority of India & Ors. - Appeal No. 10 of 2012, is without prejudice to its rights and contentions before the Hon'ble Supreme Court and any reliance on the said DIAL order may not be treated as an admission.

***AAI's submission on FIA's comments***

3.21. AAI submitted that AERA has adopted Hybrid Till mechanism to provide level playing field for all the Airport Operators as per National Civil Aviation policy 2016.

***Authority's examination of IATA's and FIA's comments and AAI's submission on FIA's comments***

3.22. The Authority has noted comments from IATA and FIA related to the regulatory Till applicable for SVPIA and AAI's submission on FIA's comments. The Authority has decided to adopt Hybrid Till as per the revised guidelines issued vide its Order No. 14/ 2016-17 dated 12.01.2017.

3.23. The contention of IATA that the reduction of tariffs in the second control period is mainly due to truing-up and that adoption of single till would prevent steep increase in tariffs in the next control period is not entirely correct. There are a number of factors such as change in methodology for computation of depreciation which have contributed to the reduction in tariffs in the 2<sup>nd</sup> control period. The reasons for adoption of hybrid till have been explained in the Authority's Order No. 14/ 2016-17 dated 12.01.2017. It would be premature to comment on the tariffs in the 3<sup>rd</sup> control period since this would depend on a number of factors.

3.24. With respect to FIA's comments on multiple submissions of AAI and the need to share them with the stakeholders, the Authority would like to clarify that normally the initial





Multi-Year Tariff Proposal requires further analysis and the subsequent submissions by AAI are more by way of clarifications, amendment to data, etc. which are fully captured in the Consultation Paper released by the Authority. Therefore, a separate discussion on each of the subsequent submission by AAI may not be required. Regarding the submissions of the FIA on the till mechanism, the Authority notes that all the reasons put forth by FIA have been adequately examined in the Authority's order relating to adoption of hybrid till.

3.25. With respect to FIA's comment related to order supported with reasons, it would be incorrect to say that the Authority is not recording reasons for its decisions while issuing the Consultation Paper and its respective Orders. The Authority has always taken cognizance of various representations made by the stakeholders and given detailed reasons for the stand taken by it.

3.26. Based on material and its analysis, the Authority decides to undertake true-up of 1<sup>st</sup> control period based on actual financials and traffic data under Single Till (as was applicable during 1<sup>st</sup> control period) and determination of building blocks for 2<sup>nd</sup> control period under Hybrid Till.

**Decision No. 1. Methodology for tariff determination**

1.a. The Authority decides to determine aeronautical tariffs at SVPIA for the first control period on Single Till basis and for the second control period on Hybrid Till basis.



#### 4. Multi Year Tariff Proposal for SVPIA

- 4.1. In the 1<sup>st</sup> control period, the Authority, vide its Order No. 14/2015-16 dated 17.04.2015 had decided that the tariffs at SVPIA would continue at the existing level on ad-hoc basis and advised AAI to submit MYTP for the 2<sup>nd</sup> control period well in time along with the actual financials till FY 2014-15 and the aggregate revenue requirements for the 1<sup>st</sup> control period.
- 4.2. AAI had made MYTP submission to the Authority for determination of tariffs for 2<sup>nd</sup> control period under Single Till. The Authority had issued the Consultation Paper No. 11/2015-16 on 16.03.2016 to determine the Aeronautical Tariffs at Ahmedabad Airport for 2<sup>nd</sup> control period and the stakeholder consultation process was completed. While the Authority was finalizing the tariff order and undertaking discussions on appropriate methodology for apportionment of CHQ/ RHQ expenses, the National Civil Aviation Policy, 2016 was released in June, 2016. The Authority later amended its guidelines vide Order No. 14, 2016-17 dated 12.01.2017 to determine future tariffs using Hybrid Till. Due to all these factors, determination of tariffs at Ahmedabad Airport was deferred.
- 4.3. AAI made submissions dated 11.01.2017 to the Authority for determination of tariffs for 2<sup>nd</sup> control period under Hybrid Till. AAI has not considered cargo related revenues, expenses and assets in the MYTP for 2<sup>nd</sup> control period and submitted that AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) would file proposal for cargo tariffs for 2<sup>nd</sup> control period. The Authority has adopted the model proposed by AAI based on AERA methodology as on 11.01.2017 and considered subsequent submissions for the Consultation Paper No. 03/2018-19 and the order. The Consultation Paper No. 03/2018-19 superseded the earlier Consultation Paper No. 11/2015-16. The major differences between the Consultation Papers arise mainly with regard to treatment of depreciation, till mechanism and estimation of traffic.
- 4.4. AAI provides Air Navigation Services (ANS) services in addition to landing, parking and other aeronautical services at SVPIA. AAI has submitted that the tariff proposal does not consider revenues, expenditure and assets on account of ANS. This order discusses the determination of tariffs for aeronautical services at the airport excluding ANS.
- 4.5. The Authority is aware of the ongoing bid process for privatization of O&M of the



terminal and in case of any major changes following privatization, AERA will consider the revised proposal, if required.

4.6. AAI has informed that accounts of AAI are audited by C&AG of India as mandated by the AAI Act. The C&AG's resident audit party audits the financial records and statements of AAI airports, regional/ field offices. However, the C&AG issues the final audit certificate for the AAI as a whole and only trial balance is available for SVPIA. The Authority has utilized these documents as submitted by AAI for determination of tariffs.



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## 5. True-up for First control period

5.1. True-up for 1<sup>st</sup> control period is calculated as difference between permissible aeronautical revenue calculated based on actual traffic and financials in accordance with AERA methodology and actual aeronautical revenue received by AAI for 1st control period.

5.2. AAI had submitted opening RAB for the 1<sup>st</sup> control period under Single Till at ₹ 386.5 crores.

Table 4 – Opening RAB for the 1<sup>st</sup> control period as per AAI – Single Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Assets excluding ANS related assets as on 01.04.2011	577.04
2	Accumulated Depreciation as on 01.04.2011	190.57
3	<b>Opening RAB[(1)-(2)] as on 01.04.2011</b>	<b>386.47</b>

## Permissible aeronautical revenues

5.3. AAI had calculated Aggregate Revenue Requirement of ₹ 695.1 crores (PV of ARR is ₹ 547.9 crores as on 01.04.2011) for 1<sup>st</sup> control period.

Table 5 - ARR as per AAI for the 1<sup>st</sup> control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Opening RAB	386.5	344.5	300.3	255.2	212.4
Assets capitalized during the year	5.5	3.2	1.5	2.3	14.0
Disposals/ Transfer	0.0	0.0	0.0	0.0	0.0
Depreciation	47.5	47.3	46.7	45.1	45.2
Closing RAB	344.5	300.3	255.2	212.4	181.2
<b>Average RAB</b>	<b>365.5</b>	<b>322.4</b>	<b>277.8</b>	<b>233.8</b>	<b>196.8</b>
Return on Average RAB@14%	51.2	45.1	38.9	32.7	27.6
Operating Expenditure	79.3	86.9	87.8	82.9	89.1
Depreciation	47.5	47.3	46.7	45.1	45.2
Corporate Tax	6.9	6.6	10.2	19.1	35.2
Less- Revenue from services other than Regulated services	36.7	41.9	44.8	56.4	56.3
<b>ARR as per AAI</b>	<b>148.2</b>	<b>144.0</b>	<b>138.7</b>	<b>123.5</b>	<b>140.7</b>
<b>Total ARR as per AAI</b>					<b>695.1</b>
<b>Discounted ARR</b>	<b>148.2</b>	<b>126.3</b>	<b>106.7</b>	<b>83.4</b>	<b>83.3</b>
<b>PV of ARR for the control period as on 01.04.2011</b>					<b>547.9</b>



## Actual aeronautical revenues

5.4. AAI had submitted that it had earned aeronautical revenues of ₹ 596.4 crores during the 1<sup>st</sup> control period. Correspondingly, AAI had submitted that it had a shortfall of ₹ 200.1 crores (future value as on 01 April 2017) during the 1<sup>st</sup> control period. The aeronautical revenues for the 1<sup>st</sup> control period is shown below:

Table 6 - Aeronautical revenue earned for the 1<sup>st</sup> control period as per AAI Submission – Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
A	Revenues from Regulated Services					
1	Landing Charges:					
1.1	Domestic	29.4	27.8	28.7	25.3	33.0
1.2	International	9.7	9.2	11.8	12.8	16.5
1.3	Total Landing Charges	39.1	37.0	40.5	38.2	49.5
2	Parking and Housing Charges:	0.7	0.8	0.8	0.4	0.4
3	PSF(Facilitation Charges(FC)):					
3.1	Domestic	16.8	14.0	15.2	15.9	22.3
3.2	International	2.7	2.4	3.0	3.2	3.6
3.3	Total PSF (FC)	19.5	16.4	18.2	19.1	25.9
4	User Development Fees (UDF):					
4.1	Domestic	22.7	18.1	19.4	20.1	25.9
4.2	International	15.6	16.8	20.7	21.9	28.2
4.3	TOTAL UDF	38.3	34.9	40.1	42.0	54.1
5	Fuel Throughput Charges	1.0	1.0	0.9	1.2	1.3
6	Ground Handling Charges	4.5	10.9	10.0	8.8	12.0
7	Cargo revenues	2.4	2.9	2.6	2.4	6.8
8	CUTE services	0.8	2.0	2.5	2.6	3.6
	<b>Total Aeronautical Revenues</b>	<b>106.4</b>	<b>105.8</b>	<b>115.7</b>	<b>114.7</b>	<b>153.8</b>





Table 7 - ARR and its resultant shortfall as per AAI for 1<sup>st</sup> control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year	148.2	144.0	138.7	123.5	140.7	695.1
2	Aeronautical Revenue	106.4	105.8	115.7	114.7	153.8	596.4
3	Shortfall (+)/ excess (-)	41.8	38.2	23.0	8.8	-13.1	98.7
4	Future Value of shortfall (+)/ excess (-) as on 01.04.2017	91.7	73.5	38.9	13.1	-17.0	200.1

#### Authority's Examination

5.5. The Authority had proposed adjustments on the following building blocks for calculating true-up of 1<sup>st</sup> control period

5.5.1. Adjustment of depreciation

5.5.2. Adjustment of non-aeronautical revenues

5.5.3. Apportionment of CHQ/RHQ costs and change in tax calculation

5.5.4. Correction of present value factor for shortfall calculation

#### Adjustment for Depreciation

5.6. AAI had used depreciation rates as per the accounting policy approved by AAI board.

The depreciation rates used by AAI for key assets are –

Table 8 - Depreciation rates as submitted by AAI

No.	Asset Class	As per AAI
1	Land	0%
2	Leasehold Land	0%
3	Runways	13%
4	Taxiway	13%
5	Aprons	13%
6	Road, Bridges & Culverts	13%
7	Building- Terminal	8%
8	Building – Temporary	100%
9	Building – Residential	5%
10	Security Fencing – Temporary	100%
11	Boundary Wall –Operational	8%
12	Boundary Wall – Residential	5%
13	Other Buildings-Unclassified	8%
14	Computer & Peripherals	20%
15	Intangible Assets- Software	20%
16	Plant & Machinery	11%





17	Tools & Equipment	20%
18	Office Furniture	20%
19	Other Vehicles	14%
20	Vehicle - Cars & Jeeps	14%
21	Electrical Installations	11%
22	Other Office equipment	18%
23	Furniture & Fixtures-Other than office	20%
24	X Ray Baggage System	11%
25	CFT/Fire Fighting Equipment	13%

5.7. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider the following regarding the depreciation rates:

5.7.1. To consider the depreciation values on additions as per the certification of AAI with the exception of the rate considered for the specific assets of terminal building, runway, taxiway and apron for the first and second control periods.

5.7.2. To adopt a rate of 3.33% based on useful life of 30 years for the specific assets of terminal building, runway, taxiway and apron added during the first and second control period

5.8. In the revised Consultation Paper No. 03/2018-19, the Authority had proposed the following depreciation rates:

5.8.1. For asset types not defined under Companies Act (runway, taxiway and aprons): 3.33% based on useful life of 30 years from FY 2011-12 onwards

5.8.2. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards till FY 2017-18 as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 33.

5.9. Depreciation for the 1<sup>st</sup> control period has been calculated on the basis of actual date of capitalization of assets. The capitalization of assets for the 1<sup>st</sup> control period has been taken as per actual values.

5.10. The revised depreciation for the 1<sup>st</sup> control period under Single Till is given below:



Table 9 – The Authority’s consideration of depreciation for 1<sup>st</sup> control period – Single Till

No.	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	As per AAI	47.5	47.3	46.7	45.1	45.2	231.7
2	As per Authority	14.4	14.5	14.4	27.8	28.2	99.2

5.11. In respect of cost of land, the Authority notes that land is not a depreciable asset and if taken into RAB, the return on it has to be paid perpetually. Besides, if the principle of FRoR based on cost of capital is applied on cost of land, the aeronautical charges may have to be fixed at exorbitantly high rates. However, the Authority realizes that unless some kind of return is given on land, future land acquisitions for airport purposes could become a major hurdle for airport development. The Authority has already conducted a study based on which a consultation paper was put out and the matter was discussed with the stakeholders. The Authority is yet to finalize its views on the treatment of cost of land and therefore decides to exclude the existing cost of land (₹ 1.15 crores in FY 2011-12) from the RAB till a final decision is taken on the issue.

5.12. The change in depreciation rates and exclusion of land from RAB results in a change in average RAB of the 1<sup>st</sup> control period as shown below –

Table 10 – The Authority’s consideration of average RAB for 1<sup>st</sup> control period – Single Till

No	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	<b>As per AAI</b>					
	Opening RAB	386.5	344.5	300.3	255.2	212.4
	Additions	5.5	3.2	1.5	2.3	14.0
	Disposals	0.0	0.0	0.0	0.0	0.0
	Depreciation	47.5	47.3	46.7	45.1	45.2
	Closing RAB	344.5	300.3	255.2	212.4	181.2
	<b>Average RAB</b>	<b>365.5</b>	<b>322.4</b>	<b>277.8</b>	<b>233.8</b>	<b>196.8</b>
2	<b>As per Authority</b>					
	Opening RAB	385.3	376.5	365.2	352.4	326.9
	Additions	5.5	3.2	1.5	2.3	14.0
	Disposals	0.0	0.0	0.0	0.0	0.0
	Depreciation	14.4	14.5	14.4	27.8	28.2
	Closing RAB	376.5	365.2	352.4	326.9	312.7
	<b>Average RAB</b>	<b>380.9</b>	<b>370.8</b>	<b>358.8</b>	<b>339.7</b>	<b>319.8</b>



## Adjustment for Non-Aeronautical revenues

5.13. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider revenue other than regulated services for the 1<sup>st</sup> control period as per actual upto 31.03.2015 and as per projections for the year FY 2015-16. In the revised Consultation Paper No. 03/2018-19, the Authority proposed to consider revenue other than regulated services for the 1<sup>st</sup> control period as per actual for FY 2015-16.

5.14. The Authority noted that AAI had considered lease rental and rent revenues from cargo, ground handling agencies and oil companies as non-aeronautical revenues during the 1<sup>st</sup> control period. As per the provisions of the AERA Act, the services rendered in respect of ground handling, oil companies and cargo are aeronautical services.

5.15. The Authority had proposed to consider the revenues from cargo, ground handling services and supply of fuel to aircraft including land lease rentals and building rent as aeronautical revenue.

Table 11 – Comparison of NAR as considered by AAI and the Authority for 1<sup>st</sup> control period

NAR (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
NAR as submitted by AAI (1)	36.7	41.9	44.8	56.4	56.3
Adjustment					
Revenue from Cargo, Ground handling and fuel services treated as aeronautical (2)	2.4	2.6	2.9	3.7	5.0
NAR as per Authority (3 = 1 - 2)	34.3	39.3	41.9	52.6	51.3

## Adjustment for operating expenditure (CHQ/ RHQ expenditure apportionment)

5.16. Total CHQ/ RHQ expenses for AAI is as shown in table below. AAI had requested the apportionment of CHQ/ RHQ expenses while determining tariffs of major airports. CHQ/ RHQ expenses allocation for SVPIA consist of two components – Expenditure for SVPIA employee's retirement benefit allocated at CHQ and overheads at CHQ/RHQ. The CHQ/RHQ overheads expense considered for apportionment have been netted off against the income received by CHQ/RHQ.





5.17. The retirement benefit is allocated on the basis of number of employees at SVPIA.

The Authority had proposed to allocate the CHQ overhead expenses for the airport services after excluding the ANS expenses on revenue basis which is consistent with the approach adopted by the Authority in MYTP of 1<sup>st</sup> Control Period for Guwahati and Lucknow airports. The Authority observes that as per the above methodology the CHQ overhead expenses are allocated in proportion to the capacity of the airport to absorb higher cost of CHQ/RHQ. Under this methodology, a portion of CHQ expenses are allocated to Delhi and Mumbai airports based on revenue received by AAI from these airports. It is proposed to accept the allocation of CHQ and RHQ expenses as below.

Table 12 - Summary of CHQ/ RHQ Overheads as submitted by AAI for 1<sup>st</sup> control period

No.	in ₹ cr.	2012	2013	2014	2015	2016
<b>Apportionment of CHQ/ RHQ overheads</b>						
1	CHQ Expenses	259.3	331.2	303.8	397.3	404.6
2	Less - CHQ Revenue	93.8	152.6	183.5	236.8	227.7
<b>3</b>	<b>Net CHQ Expenses (1-2)</b>	<b>165.6</b>	<b>178.7</b>	<b>120.3</b>	<b>160.5</b>	<b>176.9</b>
<b>Apportionment of Retirement Benefits at CHQ</b>						
1	Western Region - RHQ Expenses	61.9	126.3	152.6	78.1	72.6
2	Less – Western Region - RHQ Revenues	7.1	32.4	1.6	9.0	16.5
<b>3</b>	<b>Net Western Region RHQ Expenses (1-2)</b>	<b>54.7</b>	<b>93.9</b>	<b>151.0</b>	<b>69.1</b>	<b>56.1</b>
	<b>CHQ/ RHQ Overheads allocated to SVPIA</b>	<b>17.7</b>	<b>23.1</b>	<b>25.8</b>	<b>14.6</b>	<b>13.9</b>
<b>Apportionment of Retirement Benefits at CHQ</b>						
	<b>Total provision of retirement benefits at CHQ</b>	<b>159.7</b>	<b>289.4</b>	<b>160.0</b>	<b>275.2</b>	<b>182.9</b>
	<b>Provision of Retirement Benefits at CHQ for SVPIA</b>	<b>4.9</b>	<b>5.8</b>	<b>3.7</b>	<b>6.3</b>	<b>4.3</b>

5.18. In view of the above, the O&M expenditure for 1<sup>st</sup> control period is given in table below.

Table 13 - Summary of O&M expenditure as per the Authority for 1<sup>st</sup> control period -Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	Pay roll Expenditure of SVPIA	16.7	16.7	18.6	20.8	26.0
2	Expenditure for SVPIA employees' retirement benefits allocated at CHQ	4.9	5.8	3.7	6.3	4.3
3	Common employees related to ANS	1.7	2.2	1.9	2.2	2.2
<b>A</b>	<b>Total Pay roll Expenditure (1+2-3)</b>	<b>19.9</b>	<b>20.3</b>	<b>20.4</b>	<b>25.0</b>	<b>28.1</b>
4	Administrative and General Expenditure	6.7	4.6	5.1	5.5	5.6
5	Apportionment of administration &	17.7	23.1	25.8	14.6	13.9



No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
	General expenditure of CHQ					
<b>B</b>	<b>Total Administration &amp; General Expenditure(4+5)</b>	<b>24.4</b>	<b>27.6</b>	<b>30.8</b>	<b>20.1</b>	<b>19.6</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure</b>	<b>16.2</b>	<b>10.3</b>	<b>9.0</b>	<b>12.8</b>	<b>14.9</b>
6	Power Charges	14.7	17.2	17.0	20.9	22.8
7	Water Charges	0.4	0.2	0.2	0.2	0.5
8	Other expenses	0.0	0.0	0.0	0.0	0.0
<b>D</b>	<b>Utility and Outsourcing Expenditure</b>	<b>15.1</b>	<b>17.4</b>	<b>17.2</b>	<b>21.2</b>	<b>23.3</b>
<b>E</b>	<b>Other Outflows</b>	<b>1.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>
	<b>Total (A+B+C+D+E)</b>	<b>77.3</b>	<b>76.2</b>	<b>78.0</b>	<b>79.6</b>	<b>86.4</b>

#### Adjustment in base year for calculating present value of shortfall

5.19. The Authority noted that the present value factor considered by AAI for the shortfall in aggregate revenue collection in comparison to allowable aggregate revenue for the 1<sup>st</sup> control period (refer to Table 7) is calculated as on 01.04.2017 instead of 01.04.2016. The Authority had proposed to consider the present value of shortfall as on 01.04.2016.

#### Tax calculation for 1<sup>st</sup> control period

5.20. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider tax as actually paid/apportioned towards calculations of aeronautical tariff determination. Accordingly the Authority had proposed to account for taxes actually paid by AAI for FY 2011-12 to FY 2014-15. The Authority had also proposed to consider corporate income tax rate @ 34.60% for the remaining period of the first control period and the entire duration of the second control period as estimated by AAI towards taxes.

5.21. The tax calculation as submitted by AAI for 1<sup>st</sup> control period apportions actual tax liability of AAI based on the profit before tax of SVPIA and profit before tax of AAI.

5.22. For the revised Consultation Paper No. 03/2018-19, the Authority noted that the tax liability of AAI would include tax as a result of income from Delhi and Mumbai airports. Therefore, in the revised Consultation Paper No. 03/2018-19, the Authority had proposed to determine tax for SVPIA by applying provisional tax rate on the standalone profit before tax of the airport. In addition, for calculation of tax, the Authority had





proposed to determine depreciation considering the depreciation rates applicable under Income Tax laws.

5.23. AAI had submitted revised tax calculations based on standalone financials of SVPIA.

The Authority has proposed to consider the tax calculation as given below.

Table 14 – Revised amount of Tax as considered by Authority for the 1<sup>st</sup> control period

Particular (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Aeronautical Revenues	108.8	108.4	118.5	118.4	158.8
Non-Aeronautical Revenues	34.3	39.3	41.9	52.6	51.3
O&M (excluding retirement benefits and CHQ/ RHQ Overheads)	54.7	47.3	48.5	58.7	68.1
Retirement benefits and CHQ/ RHQ Overheads	22.6	28.9	29.4	20.9	18.2
Depreciation as per IT Act	47.5	41.7	36.6	32.4	30.0
Profit Before Tax (PBT)	18.3	29.8	45.9	59.0	93.7
<b>Tax</b>	<b>5.9</b>	<b>9.7</b>	<b>15.6</b>	<b>20.1</b>	<b>32.4</b>

#### Revised Aggregate Revenue Requirement

5.24. The ARR for the 1<sup>st</sup> control period had been revised based on adjustments detailed above.

5.24.1. Change in depreciation rates as per Table 33

5.24.2. Apportionment of CHQ/RHQ costs and change in tax calculation

5.24.3. Lease rentals/rents from cargo, ground handling agencies and oil companies to be treated as aeronautical revenues

5.24.4. Correction of present value factor for shortfall calculation

Table 15 - ARR as per the Authority for the 1<sup>st</sup> control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	380.9	370.8	358.8	339.7	319.8
Return on Average RAB@14%	53.3	51.9	50.2	47.6	44.8
Operating Expenditure	77.3	76.2	78.0	79.6	86.4
Depreciation	14.4	14.5	14.4	27.8	28.2
Corporate Tax	5.9	9.7	15.6	20.1	32.4
Less- Revenue from services other than Regulated services	34.3	39.3	41.9	52.6	51.3
<b>ARR as per Authority</b>	<b>116.7</b>	<b>112.9</b>	<b>116.2</b>	<b>122.4</b>	<b>140.5</b>
<b>Total ARR as per Authority</b>					<b>608.6</b>
<b>Discounted ARR</b>	<b>116.7</b>	<b>99.0</b>	<b>89.4</b>	<b>82.6</b>	<b>83.2</b>





Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
PV of ARR for the control Period as on 01.04.2011					470.9

5.25. Correspondingly, the shortfall during the 1<sup>st</sup> control period between permissible aeronautical revenues and actual aeronautical revenues is calculated as below:

Table 16 - ARR, yield and shortfall as per Authority for 1<sup>st</sup> control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year (refer Table 15)	116.7	112.9	116.2	122.4	140.5	608.6
2	Aeronautical Revenue	108.8	108.4	118.5	118.4	158.8	612.9
3	Shortfall/(Excess)	7.9	4.5	-2.3	4.0	-18.3	-4.3
4	Future Value of Shortfall/(Excess) as on 01.04.2016	15.1	7.6	-3.5	5.2	-20.9	3.6

5.26. Based on the material before it and its analysis, the Authority proposed the following:

5.26.1. To true-up the 1<sup>st</sup> control period on the basis of Single Till

5.26.2. To apportion CHQ/RHQ overheads on revenue basis

5.26.3. To consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue

5.26.4. To consider the following depreciation rates -

5.26.5. For asset types not defined under Companies Act (runway, taxiway and aprons): 3.33% based on useful life of 30 years from FY 2011-12 onwards

5.26.6. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards till FY 2017-18 as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 33

5.26.7. To consider short fall of ₹ 3.6 crores in the 1<sup>st</sup> control period to be added to ARR for the 2<sup>nd</sup> control period

#### **Stakeholders' comments and Authority's observations**

##### **Comments from IATA**

5.27. IATA submitted that it agrees with the proposals, but would appreciate AERA to take



the following into consideration:

5.27.1. We see that land cost has been disallowed pending further study on the matter. We also see that such approach has been adopted in other decisions. It would be prudent for AERA to carry out such assessment as soon as possible and subject it to a public consultation in order to bring this matter to a close.

5.27.2. AERA has apparently not made an assessment on whether the value of the capitalised assets is efficient. AERA may need to make such an analysis before allowing costs in full. Similar can also be said of the operating costs.

#### ***Authority's examination of IATA's comments***

5.28. The Authority noted IATA's comment related to treatment of land and the Authority has issued the consultation paper for stakeholder consultation vide Consultation Paper No. 04/2018-19. The comments of IATA will be considered while finalizing the guidelines for treatment of land cost in tariff determination.

5.29. With respect to IATA's comment on efficiency of cost of capitalised assets, the Authority notes that the capitalization for 1<sup>st</sup> control period is as per actual numbers provided by AAI. The additional capital expenditure on items capitalized during the 1<sup>st</sup> control period is ₹ 26.5 crore which is not very significant therefore acceptable. The Authority also notes that AAI being a public sector entity, it is required to follow proper procedures before incurring capital expenditure. Once the requirement of facilities is finalized and the procedures are followed, it is presumed that the expenditure on creation of assets is efficient. In such a scenario, it is considered that there is no need to revisit the justification for the capital expenditure or to modify the cost which has been incurred, after following the proper procedures.

#### ***Comments from FIA***

5.30. Regarding the study on cost of land, FIA submitted that –

5.30.1. In para 4.12 of Consultation Paper No. 03/2018-19, it is stated that AAI has taken the cost of land of ₹ 1.15 cr. in RAB. In respect of cost of land, the Authority notes that land is not a depreciable asset and if taken into RAB, the return over it has to be paid perpetually. Further, it is stated that the Authority proposes to conduct a study based on which the treatment to be given to cost



of land can be determined, so that appropriate return on land is given for future land acquisition purposes. FIA humbly submits that the Authority has initiated a consultation paper titled "In the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators of India" (Land Consultation Paper). FIA submits from a reading of clause 4.4 (i) and (ii) mentioned in the above-mentioned Land Consultation Paper, it appears that while the Authority may decide to provide certain return on the cost of the land, the Authority in either of the options shall not include the cost of land while computing the RAB.

5.30.2. FIA reserves its right to submit its detailed in response in respect of the Land Consultation Paper in future, and in view of the para 4.4 (i) and (ii) of the Land Consultation Paper it can be safely concluded that based upon Land Consultation Paper even in respect of SVPIA, the cost of land at SVPIA shall not be included in the RAB. Further, in para 3.4 of the Consultation Paper No. 03/2018-19, it is stated that the Authority is aware of the ongoing bid process of privatization of O&M of the terminal and it may be possible that an independent study of land is made for such privatization process. FIA submits that report for such study should be made public for consideration of all the stakeholders to ensure transparency and level playing field for all the stakeholders (including FIA). Further, it is to be considered that in the absence of any supporting documents like study reports mentioned, FIA is not in position to study the present CP in its right context and spirit. The same is a violation of the principal of natural justice and fair play which is the paramount principal of any regulatory decision by any regulator.

***AAI's submission on FIA's comments***

5.31. AAI submitted that AAI will be submitting the comments to the CP issued by AERA on the cost of Land.

***Authority's examination of FIA's comments and AAI's submission on FIA's comments***

5.32. The Authority notes FIA's comment related to treatment of land and the Authority has issued the consultation paper for stakeholder consultation vide Consultation Paper





No. 04/2018-19. The comments of FIA will be considered while finalizing the guidelines for treatment of land cost in tariff determination.

**Comments from BAOA**

5.33. Regarding the study on cost of land, BAOA submitted that the decision by the Authority not to include cost of land in RAB is the right one. In fact, going forward, cost of land should not be included in RAB for any public airport as provision of land for economic growth of the city/area is the primary responsibility of the government/public sector undertaking (AAI).

**AAI's submission on BAOA's comments**

5.34. In response to BAOA's comment, AAI submitted that AAI is incurring cost for Land at some airports. Hence it is very much necessary that AAI gets return on the land for which cost is incurred as AAI operates on commercial principles. AAI acquires land purely for expansion of airports or construction of new airport in case where the land is not transferred free of cost by the State Govt.

**Authority's examination of BAOA's comments and AAI's submission on BAOA's comments**

5.35. The Authority noted BAOA's comment related to treatment of land and the Authority has issued the consultation paper for stakeholder consultation vide Consultation Paper No. 04/2018-19. The comments of BAOA will be considered while finalizing the guidelines for treatment of land cost in tariff determination.

5.36. Based on the material before it and its analysis, the Authority finalizes the true-up for the 1<sup>st</sup> control period as given in Table 16.

**Decision No. 2. True-up for the 1<sup>st</sup> control period**

2.a. The Authority decides to true-up the 1<sup>st</sup> control period on the basis of Single Till

2.b. The Authority decides to apportion CHQ/RHQ overheads on revenue basis

2.c. The Authority decides to consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue

2.d. The Authority decides to consider the following depreciation rates –

- i. For asset types not defined under Companies Act (runway, taxiway and aprons):  
3.33% based on useful life of 30 years from FY 2011-12 onwards



- ii. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards till FY 2017-18 as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 33
- 2.e. To consider short fall of ₹ 3.6 crores in the 1<sup>st</sup> control period to be added to ARR for the 2<sup>nd</sup> control period



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## 6. Traffic forecast

6.1. The traffic growth rates as submitted by AAI for 2<sup>nd</sup> control period are as follows:

Table 17 - Traffic Growth rates assumed by AAI for the 2<sup>nd</sup> control period

YEAR	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2016-17	12%	20%	14%	10%	18%	12%
2017-18	10%	15%	11%	8%	14%	9%
2018-19	10%	15%	11%	8%	14%	9%
2019-20	10%	15%	11%	8%	14%	10%
2020-21	10%	15%	11%	8%	14%	10%

### Authority's Examination

6.2. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider traffic numbers for the 1<sup>st</sup> control period as per actual upto 31.03.2015 and as per projections for the year FY 2015-16. In the revised Consultation Paper No. 03/2018-19, the Authority had proposed to consider traffic numbers for the 1<sup>st</sup> control period as per actual for FY 2015-16.

6.3. The Authority observed that the actual traffic data is available for FY 2016-17 for SVPIA. Accordingly, AAI submitted that traffic growth rate for FY 2016-17 can be revised by the Authority based on actual traffic during FY 2016-17. The Authority had proposed to revise traffic growth rates for FY 2016-17 as per Table 19 in Consultation Paper No. 03/2018-19.

6.4. The authority had also proposed to extrapolate traffic for FY 2017-18 based on actual data available till January 2018 and revise traffic growth rates for FY 2017-18 as per Table 19 in Consultation Paper No. 03/2018-19.

6.5. The Authority calculated CAGR (Compounded Annual Growth Rate) for ATM and passenger traffic from FY 2010-11 to FY 2015-16 (5 year CAGR) and from FY 2005-06 to FY 2015-16 (10 year CAGR) for SVPIA. The details have been provided in table below:

Table 18 - CAGR for Traffic at SVPIA

	Growth rates as per AAI (FY18 to FY21)	10 Year CAGR (FY06 to FY16)	5 Year CAGR (FY11 to FY16)
<b>Passenger</b>			
Domestic	10%	13%	9%





	Growth rates as per AAI (FY18 to FY21)	10 Year CAGR (FY06 to FY16)	5 Year CAGR (FY11 to FY16)
<b>Passenger</b>			
International	15%	13%	14%
<b>ATM</b>			
Domestic	8%	8%	5%
International	14%	8%	11%

6.6. After evaluation of 5 and 10 year CAGR of passenger traffic, the Authority was of the view that growth rates proposed by AAI for international passenger and ATM traffic are more or in line with the CAGR of 5 years. Hence, the Authority had proposed to adopt growth rates for international passenger and ATM traffic from FY 2018-19 to FY 2020-21 based on AAI projections as per Table 19 in Consultation Paper No. 03/2018-19.

6.7. However, due to high growth in recent years for domestic passenger and ATM traffic, the Authority had proposed to adopt growth rates based on 10 years CAGR for domestic passenger and ATM traffic from FY 2018-19 to FY 2020-21. The traffic projections considered by the Authority in Consultation Paper No. 03/2018-19 is given in Table 19.

Table 19 - Traffic growth rates and Traffic as considered by Authority for the 2<sup>nd</sup> control period in the Consultation Paper

YEAR	Passenger			Air Traffic Movements (ATM)		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth Rates</b>						
2016-17	14%	14%	14%	5%	19%	8%
2017-18	32%	2%	24%	32%	8%	27%
2018-19	13%	15%	13%	8%	14%	9%
2019-20	13%	15%	13%	8%	14%	10%
2020-21	13%	15%	13%	8%	14%	10%
<b>Traffic</b>						
2016-17	5,619,373	1,785,909	7,405,282	38,762	12,345	51,107
2017-18	7,393,128	1,818,631	9,211,760	51,318	13,351	64,669
2018-19	8,358,824	2,091,426	10,450,251	55,589	15,220	70,809
2019-20	9,450,660	2,405,141	11,855,801	60,216	17,351	77,567
2020-21	10,685,112	2,765,912	13,451,024	65,227	19,781	85,008

6.8. The Authority had proposed to true-up traffic as per actual growth achieved during the current control period at the time of determination of tariff for 3<sup>rd</sup> control period as



explained in earlier orders of the Authority.

6.9. Based on the material before it and its analysis, the Authority proposed the following:

6.9.1. To consider the ATM and passenger traffic as per Table 19

6.9.2. To true up the traffic volume (ATM and Passengers) based on actual traffic in 2<sup>nd</sup> control period while determining tariffs for the 3<sup>rd</sup> control period

**Stakeholders' comments and Authority's observations**

**AAI's submission on Traffic Forecast**

6.10. Regarding the traffic forecast, AAI during the stakeholders meeting had requested the Authority to consider actual traffic for FY 2017-18 and 10 years CAGR from FY 2007-08 to FY 2017-18 to be considered for traffic projections from FY 2018-19 onwards for domestic as well as international traffic instead of 10 years CAGR from FY 2005-06 to FY 2015-16 as proposed by the Authority in the Consultation paper. Traffic growth rates and traffic numbers as proposed by AAI during the stakeholder consultation meeting and as per Addendum issued by the Authority is given Table 20 below –

Table 20 - Traffic growth rates and Traffic as proposed by AAI for the 2<sup>nd</sup> control period in the stakeholder consultation meeting

YEAR	Passenger			Air Traffic Movements (ATM)		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth Rates</b>						
2016-17	14.4%	13.9%	14.3%	5.4%	18.5%	8.3%
2017-18	30.3%	3.6%	23.9%	29.0%	6.5%	23.5%
2018-19	11.5%	10.2%	11.2%	5.9%	7.3%	6.2%
2019-20	11.5%	10.2%	11.3%	5.9%	7.3%	6.2%
2020-21	11.5%	10.2%	11.3%	5.9%	7.3%	6.2%
<b>Traffic</b>						
2016-17	5,619,373	1,785,909	7,405,282	38,762	12,345	51,107
2017-18	7,323,471	1,850,954	9,174,425	49,987	13,142	63,129
2018-19	8,166,979	2,039,472	10,206,451	52,952	14,100	67,052
2019-20	9,107,642	2,247,190	11,354,832	56,092	15,128	71,220
2020-21	10,156,649	2,476,064	12,632,713	59,419	16,231	75,650

6.11. AERA in Consultation paper has proposed recovery of UDF to the tune of ₹ 232 crores during FY 2016-17 to 2018-19 (May 2018) based on the CAGR projection whereas as per AAI, the actual amount of UDF recovered during the said period is ₹ 216 crores. This is





predominantly due to the CAGR (2006-2016) considered by AERA.

#### ***Authority's examination of AAI's submission***

6.12. Regarding AAI's submission on collection of UDF, the Authority notes that UDF for FY 2016-17 and FY 2017-18 have been calculated as per actual traffic data. The CAGR from FY 2006 to FY 2016 is used to project traffic from FY 2018-19 onwards and has no impact on actual traffic for FY 2016-17 to FY 2017-18. The under-recovery in UDF as per actual revenues collected will be trued-up while determining tariffs for 3<sup>rd</sup> control period.

#### ***Comments from IATA***

6.13. Regarding the traffic forecast, IATA did not have any major comment and submitted that it is advisable that any forecasts are validated by an independent entity with the required capability on a regular basis, especially given the high rates of growth, including capacity assessments to identify the demand triggers, pace and scale of investment as part of a broader master plan and phasing strategy.

#### ***AAI's submission to IATA's comments***

6.14. AAI submitted that traffic projections submitted by AAI are based on CAGR of past ten years (FY 2007-08 to FY 2017-18)

#### ***FIA's comments***

6.15. Regarding the traffic projections, in response to Addendum to Consultation Paper, FIA humbly submits that in terms of clause 6 of the Proposal 2 (Revised Traffic Projections) of Addendum, it is stated that in the Consultation Paper No. 03/2018-19, Authority had proposed to:

6.15.1. Extrapolate traffic for FY 2017-18 based on actual data available till January 2018 and revise traffic growth rates for FY 2017-18.

6.15.2. Adopt growth rates for international passenger and ATM traffic from FY 2018-19 to FY 2020-21 based on AAI projections submitted as part of MYTP proposal dated 11.01.2017

6.15.3. Adopt growth rates based on 10 years CAGR (from FY 2005-06 to FY 2015-16) for domestic passenger and ATM traffic from FY 2018-19 to FY 2020-21





6.16. Further, it is stated in terms of Clause 7 of Addendum that during the stakeholder consultation meeting held on 11.05.2018, AAI has requested Authority to consider actual traffic for FY 2017-18 and 10 years CAGR from FY 2007-08 to FY 2017-18 to be considered for traffic projections from FY 2018-19 onwards for domestic as well as international traffic.

6.17. In regard to the above, FIA would like to humbly state that FIA agrees that for calculating future traffic growth, the same should be based on actual figures as far as possible. However, on a perusal of the revised projection on the basis of 10 years CAGR and ATM, it is observed a downward/negative trend on the CAGR whereas the projections for traffic are indicating an upward trend in the passenger traffic without any basis or justification. Please note that the downward trend in the passenger traffic in the future as shown in the CAGR may lead to higher tariffs which will directly impact the airlines.

***AAI's submission to FIA's comments***

6.18. AAI submitted that AAI has revised projection for Domestic and international PAX and ATM for the year FY 2018-19 to 2020-21 as per CAGR of past 10years from FY 2007-08 to 2017-18. The figures from 2007-08 to 2017-18 are actuals.

***Authority's examination of IATA and FIA's comments and AAI's submission to IATA's and FIA's comments***

6.19. The Authority has given careful consideration to IATA's comments on review of traffic forecast on a regular basis. The Authority in future will review the option to undertake long term traffic forecast based on econometric modelling for the major airports whose findings would be part of the consultation paper. Since the Authority decides to true-up traffic forecasts based on actuals, the impact due to change in traffic projections would be adjusted in the subsequent control period.

6.20. The Authority notes AAI's submission and FIA's comment regarding the revised traffic growth rates as proposed by AAI. The Authority has reviewed the traffic growth rates proposed in the Consultation Paper for the international traffic. The Authority notes that in the immediate year international passenger traffic has grown by only 3.6% in FY 2017-18 while the projection for the rest of the control period is 15% (based on earlier



submission by AAI). AAI has since reviewed its projections and submitted a revised forecast of 10.18% for international passenger traffic. The Authority notes that the decrease of international passenger traffic growth to 3.6% may be an outlier and the traffic growth for the rest of the control period may be significantly higher. However, given the substantial decrease, the Authority decides to accept the revised projections of AAI for international passenger traffic based on 10 year CAGR from FY07-08 to FY17-18. Inline with the reduction in international passenger traffic, Authority decides to revise the growth in international ATM traffic to 8%. As the variation between Authority's forecast and AAI's revised forecast in domestic passenger traffic is not very significant, the Authority decides to continue with traffic growth rates for domestic passenger and domestic ATM traffic as proposed in the Consultation Paper No. 03/2018-19. The Authority notes that the traffic would be trued up based on actuals while determining tariff for next control period.

Table 21 - Traffic growth rates and Traffic as proposed by AAI for the 2<sup>nd</sup> control period in the stakeholder consultation meeting

YEAR	Passenger			Air Traffic Movements (ATM)		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth Rates</b>						
2016-17	14.4%	13.9%	14.3%	5.4%	18.5%	8.3%
2017-18	30.3%	3.6%	23.9%	29.0%	6.5%	23.5%
2018-19	13.1%	10.2%	12.5%	8.3%	8.4%	8.3%
2019-20	13.1%	10.2%	12.5%	8.3%	8.4%	8.3%
2020-21	13.1%	10.2%	12.5%	8.3%	8.4%	8.3%
<b>Traffic</b>						
2016-17	5,619,373	1,785,909	7,405,282	38,762	12,345	51,107
2017-18	7,323,471	1,850,954	9,174,425	49,987	13,142	63,129
2018-19	8,280,068	2,039,472	10,319,540	54,147	14,244	68,391
2019-20	9,361,617	2,247,190	11,608,806	58,654	15,438	74,091
2020-21	10,584,438	2,476,064	13,060,502	63,535	16,732	80,267

### Decision No. 3. Traffic Forecast

- 3.a The Authority decides to consider the ATM and passenger traffic as per Table 21.
- 3.b The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 2<sup>nd</sup> control period while determining tariffs for the 3<sup>rd</sup> control period.





## 7. Allocation of Assets (Aeronautical and Non-Aeronautical)

7.1. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to determine aeronautical tariffs under Single Till for 1<sup>st</sup> and 2<sup>nd</sup> control period. In the Consultation Paper No. 03/2018-19, the Authority had proposed to determine aeronautical tariffs for 1<sup>st</sup> control period under Single till and for 2<sup>nd</sup> control period under Hybrid Till.

7.2. Under Hybrid Till, only aeronautical assets are included as part of the Regulatory Asset Base. As a result of the shift from Single Till to Hybrid Till at the end of 1<sup>st</sup> control period, the assets need to be segregated and opening RAB for 2<sup>nd</sup> control period needs to be recalculated.

7.3. For the allocation of assets between aeronautical and non-aeronautical services, AAI had divided assets into aeronautical, non-aeronautical and common components. Common components have been further segregated into aeronautical and non-aeronautical assets by applying one of the following ratios:

- a) Terminal Area Ratio - ratio of aeronautical area to non-aeronautical area (applied for Terminal related assets)
- b) Employee Ratio - ratio of staff providing aeronautical services (173 employees) and total staff (177 employees)
- c) Quarter ratio for residential building – Based on quarters allotted to employees providing aeronautical services (50 employees) and quarters allotted to total 51 employees

7.4. The allocation of gross block of assets as on 01.04.2016 as submitted by AAI is given in the table below:

Table 22 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as submitted by AAI

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Land	1.2	1.2	100.0%
2	Runway	45.7	45.7	100.0%
3	Taxiways	13.7	13.7	100.0%
4	Apron	23.9	23.9	100.0%





Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
5	Road, Bridge & Culverts	16.0	16.0	100.0%
6	Building - Terminal	260.9	271.9	96.0%
7	Building - Temporary	0.4	0.4	100.0%
8	Building - Residential	3.4	3.4	100.0%
9	Security Fencing - Temporary	0.1	0.1	100.0%
10	Building - Other	10.0	10.2	98.4%
11	Computer & Peripherals	1.6	1.6	100.0%
12	Plant & Machinery	8.6	8.6	100.0%
13	Tools & Equipment	2.4	2.4	99.6%
14	Office Furniture	0.5	0.5	99.9%
15	Other Vehicles	1.4	1.4	100.0%
16	Electrical Installations	153.4	156.1	98.2%
17	Other Office Equipment	0.5	0.5	97.7%
18	Furniture & Fixtures	3.2	3.2	100.0%
19	X-ray Baggage System	13.6	13.6	100.0%
20	CFT/Fire Fighting Equipment	22.8	22.8	100.0%
21	Boundary Wall –Operational	5.9	5.9	100.0%
22	Intangible Assets- Software	0.3	0.3	100.0%
23	Vehicle- Cars & Jeeps	0.3	0.3	100.0%
	<b>Total</b>	<b>589.7</b>	<b>603.6</b>	<b>97.7%</b>

#### Authority's Examination

#### Allocation based on Terminal Area Ratio

7.5. AAI submitted the workings for the calculation of aeronautical area to non-aeronautical area ratio vide its submission dated 11.01.2017.

Table 23 – Workings of Terminal Area Ratio calculation as submitted by AAI for FY 2015-16

S.No.	Category	Domestic Terminal Building (Sq.m)	International Terminal Building (Sq.m)
1	Restaurant / Snack Bars	641.4	333.6
2	T.R. Stall	316.6	55.1
3	Duty Free Shop	0.0	39.0
4	Hoarding & Display	237.3	44.0
5	Building Non-Residential	952.8	1,144.5
6	Admission Tickets	12.5	4.7
7	Other Miscellaneous	8.8	5.0
	<b>Total Non-aeronautical area</b>	<b>2,169.3</b>	<b>1,625.9</b>
	<b>Total Terminal area</b>	<b>29,413</b>	<b>41,000</b>



	<b>Combined Non-aeronautical area</b>	<b>3,795</b>
	<b>Combined Terminal area</b>	<b>70,413</b>
	<b>TB Ratio</b>	<b>5.39%</b>

- 7.6. The Authority observed that the percentage of non-aeronautical area is lower compared to similar airports. The Authority had proposed to adopt 92.5% as aeronautical area for asset allocation of Terminal related assets to encourage growth of non-aeronautical revenues which would cross-subsidize aeronautical charges.
- 7.7. Specific assets under Office furniture, Plant & Machinery, Tools & Equipment, other office equipment and Furniture & Fixtures inside and Electrical installations related to the Terminal Building have been considered as aeronautical by AAI. The Authority had proposed to allocate these assets in the ratio of 92.5% to 7.5%.
- 7.8. The Authority had proposed to consider car park related assets as non-aeronautical assets and the same have been excluded from aeronautical RAB for 2<sup>nd</sup> control period.
- 7.9. Assets related to residential building have been considered as purely aeronautical assets by AAI. The Authority had proposed to allocate residential building assets based on Quarters' ratio proposed by AAI.
- 7.10. The Authority had noted that few cargo related assets have been separately considered by AAI in RAB while preparing the MYTP for 1<sup>st</sup> and 2<sup>nd</sup> control period. As part of the clarifications provided dated 01.02.2018 and 16.02.2018, AAI submitted that no cargo assets have been considered while calculating RAB in the 1<sup>st</sup> and 2<sup>nd</sup> control period. As per AAI clarifications, AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) is managing cargo activities at SVPIA, which is 100% subsidiary of AAI. AAICLAS would file MYTP for cargo handling at SVPIA separately. As per AAI's submission dated 01.02.2018, the Authority notes that the accounts for cargo operations are now booked (FY 2017-18) under AAICLAS for SVPIA. Hence, the Authority had proposed to include cargo assets, revenues and operational expenditure from 01.04.2016 till 31.03.2017 and had proposed to exclude them from 01.04.2017 till 31.03.2021 while determination of tariff in the second control period. Further, the Authority noted that there is no clarity on the transfer of cargo assets to AAICLAS as of now. The Authority will take a view on this while truing up in the 3<sup>rd</sup> control period





based on the decisions taken by the AAI.

7.11. The asset allocation proposed by the Authority is tabulated below:

Table 24 – Change in allocation of gross block of assets existing as on 01.04.2016 between aeronautical and non-aeronautical services proposed by the Authority

Sr. No.	Particulars	Aero Assets	Justification
1	Road, Bridge and Culverts	82.1%	Total assets are ₹ 16.0 crores out of which ₹ 13.1 crores are purely aeronautical assets. Cargo and car park related assets are not considered.
2	Terminal Building	92.7%	Total assets are ₹ 271.9 crores out of which ₹ 16.7 crores are purely aeronautical assets and common assets are ₹ 254.4 crores. Common assets are allocated based on 92.5% ratio as aeronautical assets for assets related to terminal building.
3	Building Residential	98.0%	Total assets are ₹ 3.4 crores which are allocated based on quarters' ratio.
4	Other building	94.0%	Total assets are ₹ 10.2 crores out of which ₹ 2.1 crores are purely aeronautical assets and common assets are ₹ 7.6 crores. Common assets are allocated based on ratio of area used for different activities in integrated office complex.
5	Electrical Installations	96.7%	Total assets are ₹ 156.1 crores out of which ₹ 94.4 crores are purely aeronautical assets and common assets are ₹ 61.1 crores. Common assets are allocated based on 92.5% ratio as aeronautical assets for assets related to terminal building. Car park related assets have not been considered.

7.12. The cost of land had been excluded from the RAB of 2<sup>nd</sup> control period as in Para 5.12.

7.13. The allocation of gross block of assets as on 01.04.2016 as considered by the Authority based on revised asset allocation is given in the table below:

Table 25 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as considered by the Authority

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Land	-	1.2	-
2	Runway	45.7	45.7	100.0%





Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
3	Taxiways	13.7	13.7	100.0%
4	Apron	23.9	23.9	100.0%
5	Road, Bridge & Culverts	13.1	16.0	82.1%
6	Building - Terminal	252.1	271.9	92.7%
7	Building - Temporary	0.4	0.4	95.3%
8	Building - Residential	3.4	3.4	98.0%
9	Security Fencing - Temporary	0.1	0.1	100.0%
10	Building - Other	9.6	10.2	94.0%
11	Computer & Peripherals	1.6	1.6	100.0%
12	Plant & Machinery	8.6	8.6	100.0%
13	Tools & Equipment	2.4	2.4	99.3%
14	Office Furniture	0.5	0.5	99.8%
15	Other Vehicles	1.4	1.4	100.0%
16	Electrical Installations	151.0	156.1	96.7%
17	Other Office Equipment	0.5	0.5	97.6%
18	Furniture & Fixtures	3.2	3.2	100.0%
19	X-ray Baggage System	13.6	13.6	100.0%
20	CFT/Fire Fighting Equipment	22.8	22.8	100.0%
21	Boundary Wall –Operational	5.9	5.9	100.0%
22	Intangible Assets- Software	0.3	0.3	100.0%
23	Vehicle- Cars & Jeeps	0.3	0.3	100.0%
	<b>Total</b>	<b>573.8</b>	<b>603.6</b>	<b>95.1%</b>

7.14. Based on the material before it and its analysis, the Authority had proposed to allocate assets as on 1<sup>st</sup> April 2016 between aeronautical and non-aeronautical assets as detailed in Table 25.

#### **Stakeholders' comments and Authority's observations**

##### **Comments from IATA**

7.15. On asset allocation, IATA submitted as follows:

7.15.1. We note that AERA is proposing to adopt a 92.5% allocation of terminal assets to the aeronautical area (instead of AAI's proposed 95.6%). While we agree that adjustment goes in the right direction, we still believe that the percentage allocated to aviation is too high. As mentioned in previous submissions, there needs to be a review on the methodology for allocating common assets at airports.



7.15.2. We would appreciate for AERA to provide a calculation of the return that would be achieved in the non-aeronautical activities with the proposed cost allocation, as we believe it would be extraordinarily high, and therefore provide a clear indication that the allocation methodology needs to be reviewed.

7.15.3. IATA is concerned with the lack of clarity on the impact of the transition of cargo management activities at SVPIA to AAAICLAS, which is a 100% subsidiary of AAI. We would appreciate for AERA to provide more information about its view on such an approach and whether there would be a difference in the regulatory treatment of this activity if there was a separate MYTP.

***AAI's submission to IATA's comments***

7.16. AAI submitted that detailed analysis was carried out by AAI in order to determine for the Aero and Non Aero ratio of Terminal Building which has also been examined by AERA during their visit to the airport. The detailed ratios are calculated on the basis of actual area utilised for the activities for the aero and non-aero and also area earmarked for Non-aeronautical activities. The actual ratio is 95.6% and 4.4% between aero and Non-Aero respectively whereas AERA has considered 92.5% and 7.5% respectively. AAI has requested AERA to consider the ratio on actual basis.

***Comments from FIA***

7.17. On non-consideration of Cargo Revenues, FIA submitted that in para 3.2 & 6.10 of the Consultation Paper No. 03/2018-19, it is mentioned that AAI has not considered cargo related revenues, expenses and assets in the MYTP for the 2<sup>nd</sup> control period and has also submitted that AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) would file proposal for cargo tariff for 2<sup>nd</sup> control period separately. The Authority has considered the model submitted by AAI on 11.02.2017 and subsequent approach as mentioned in the CP. Further, as per AAI's submission dated 01.02.2018, the Authority notes that the accounts for cargo operations are now booked (for the FY 2017-18) under AAICLAS for SVPIA. Hence, it is stated that the Authority proposes to include cargo assets, revenues and operational expenditure from 01.04.2016 till 31.03.2017 and proposes to exclude them from 01.04.2017 till 31.03.2021 while determination of



tariff in the second control period.

7.18. FIA hereby submits that, without prejudice to the right to review additional submissions of AAI, the methodology of AAI dated 11.01.2017 and other submissions adopted by the Authority, prima facie, needs to be reviewed/ revisited in light of the figures under Table 6 (Aeronautical Revenue earned for the 1<sup>st</sup> control period), which provides that the cargo revenue accounted for almost seven percent (refer 6.8% mentioned in year 2015-16) % of the total revenue during the first control period. FIA would like the Authority to kindly note that 'Cargo revenues' comes under the category of Aeronautical Revenues and accordingly used for the purposes of determination of Aeronautical Tariffs. Thus, non-consideration of the cargo revenue results into incorrect determination of Aeronautical Revenue which forms one of basis for calculating the Aeronautical Tariffs. Thus, FIA hereby submits that keeping in view section 2 (v) of AERA Act, which provides that 'Aeronautical Service' includes the service for 'the cargo facility at an airport' , the Cargo Revenues must be duly taken into account for calculation for Aeronautical Tariffs. Further, the Authority has noted that there is no clarity on the transfer of cargo assets to AAICLAS as of now. Thus, the cargo revenue should be considered till the end of the 2<sup>nd</sup> control period.

***AAI's submission to FIA's comments***

7.19. AAI submitted that AAICLAS is a subsidiary of AAI formed for Cargo services. AAICLAS, being an independent service provider would be filing their tariff proposal from 01.04.2017 onwards. The assets and Revenue and expenditure of AAICLAS would not be accounted in AAI's books and AAICLAS would be preparing its financials separately from 01.04.2017.

***Authority's examination of IATA's and FIA's comments and AAI's submission on IATA's and FIA's comments***

7.20. The Authority has noted comments from IATA related to asset allocation between aeronautical and non-aeronautical assets for SVPIA and returns on non-aeronautical assets. The Authority has provided the rationale for allocating the assets and O&M expenditure into aeronautical and non-aeronautical components in the Consultation Paper. For example, terminal related assets have been allocated into aeronautical





assets based on terminal building ratio of 92.5% to 7.5% to encourage growth of NAR which would cross-subsidize aeronautical charges. In future, the Authority would expect AAI to allocate more terminal building area for non-aeronautical services and consider a revision while truing-up.

7.21. The Authority has noted IATA's and FIA's comments on the cargo revenues. AAI has clarified in their response dated 01.02.2018 and 16.02.2018 that AAICLAS would file separate tariff proposal for cargo. Further, as per AAI's submission dated 01.02.2018 and 16.02.2018, the Authority had noted that the accounts for cargo operations are now booked (FY 2017-18) under AAICLAS for SVPIA. Since, AAI is not directly undertaking the cargo activities from FY 2017-18, the Authority decides to include cargo assets, revenues and operational expenditure from 01.04.2016 till 31.03.2017 and decides to exclude them from 01.04.2017 till 31.03.2021 for determination of tariff in the second control period. To clarify, the Authority has not only excluded cargo revenues as per FIA's comments but also the corresponding cargo assets and operational expenditure for cargo activities from 01.04.2017 onwards. These would be considered in the separate tariff proposal for cargo activities from AAICLAS and while truing-up of the 2nd control period of SVPIA. To address IATA's comments, cargo services at SVPIA would continue to be regulated by the Authority as per the applicable guidelines but would be filed as a separate MYTP by AAICLAS.

7.22. Since there is no clarity as on the date regarding the revenue sharing mechanism between AAI and AAICLAS, the Authority has decided not to consider the potential revenue from cargo operations at this moment. The Authority will take a view on this while truing up in the 3<sup>rd</sup> control period based on the decisions taken by the AAI. The Authority may also make necessary assumptions regarding the revenue that should accrue to AAI in case the revenue share arrangement does not truly reflect the arms-length transaction between AAI and its subsidiary. This is consistent with the Authority's view taken in the case of Lucknow Airport (CCSIA) Tariff Order No. 37/ 2017-18 dated 16.02.2018.

7.23. Based on material and its analysis, the Authority decides to consider allocation of assets as per Table 25.



**Decision No. 4. Allocation of assets between Aeronautical and Non-aeronautical services**

4.a. The Authority decides the allocation of assets as on 1<sup>st</sup> April 2016 between aeronautical and non-aeronautical assets as detailed in Table 25.

**8. Opening Regulatory Asset Base for Second control period**

8.1. Opening RAB for 2<sup>nd</sup> control period under Hybrid Till as per AAI submission dated 11.01.2017 is ₹ 175.5 crores

Table 26 - Calculation of opening RAB as on 1<sup>st</sup> April 2016 as per AAI submission – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding ANS related assets as on 01.04.2011	563.5
2	Aeronautical asset addition during the 1 <sup>st</sup> control period	26.2
3	<b>Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016</b>	<b>589.7</b>
4	Accumulated Depreciation as on 01.04.2016	414.2
5	<b>Opening RAB[(3)-(4)] as on 01.04.2016</b>	<b>175.5</b>

8.2. The Authority had proposed to adopt depreciation rates as detailed earlier in Para 5.8 for calculating RAB for 2<sup>nd</sup> control period till FY 2017-18. Additionally, the Authority had proposed to adopt depreciation rates consistent with Authority's order "In the matter of Determination of Useful life of Airport Assets" (Order No. 35/2017-18) from FY 2018-19 onwards.

8.3. The Authority had proposed the allocation of assets between aeronautical and non-aeronautical assets as detailed in Table 25.

8.4. Based on revised depreciation rates and revised asset allocation, the opening RAB for 2<sup>nd</sup> control period considered by the Authority under Hybrid Till is ₹ 294.9 crores. The difference between the values of AERA RAB of 2015-16 as provided in Table 10 and the Opening RAB of 2016-17 given below is because the Closing RAB of 2015-16 is calculated based on single till while the Opening RAB of 2016-17 is calculated based on hybrid till.

Table 27 - Calculation of opening RAB as on 1<sup>st</sup> April 2016 as per the Authority – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding	548.1



	ANS related assets as on 01.04.2011	
2	Aeronautical asset addition during the 1 <sup>st</sup> control period	25.7
3	<b>Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016</b>	<b>573.8</b>
4	Accumulated Depreciation as on 01.04.2016	278.9
5	<b>Opening RAB[(3)-(4)] as on 01.04.2016</b>	<b>294.9</b>

**Stakeholders' comments and Authority's observations**

**Comments from IATA**

8.5. On the opening RAB for 2<sup>nd</sup> control period, IATA submitted that on the basis of the comments stated on allocation of assets, we believe the aeronautical RAB to be overestimated, and request AERA to review its cost allocation methodology.

**Authority's examination of IATA's**

8.6. The Authority has noted comments from IATA related to asset allocation between aeronautical and non-aeronautical assets for SVPIA and returns on non-aeronautical assets. The Authority has provided the rationale for allocating the assets and O&M expenditure into aeronautical and non-aeronautical components in the Consultation Paper. For example, terminal related assets have been allocated into aeronautical assets based on terminal building ratio of 92.5% to 7.5% to encourage growth of NAR which would cross-subsidize aeronautical charges. In future, the Authority would expect AAI to allocate more terminal building area for non-aeronautical services and consider a revision while truing-up.

8.7. Based on material and its analysis, the Authority decides to consider opening RAB as per Table 27.

**Decision No. 5. Opening Regulatory Asset Base for the 2<sup>nd</sup> control period**

5.a. The Authority decides to consider the opening regulatory base for the 2<sup>nd</sup> control period under Hybrid Till as ₹ 294.9 crores.





## 9. Capital Expenditure for Second control period

9.1. AAI had in their submissions dated 11.01.2017 submitted aeronautical capital expenditure of ₹ 119.6 crores for the 2<sup>nd</sup> control period and revised the total aeronautical capital expenditure to ₹ 304.2 crores for the 2<sup>nd</sup> control period as per the clarifications provided dated 01.02.2018 and 16.02.2018 as shown below:

Table 28 – Aeronautical assets to be capitalized at SVPIA for 2<sup>nd</sup> control period as per AAI

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runway	-	-	-	-	-
2	Taxiway	-	-	-	-	-
3	Aprons	0.1	-	-	46.5	-
4	Road, Bridges & Culverts	0.1	-	-	-	-
5	Building- Terminal	0.6	-	-	32.0	-
6	Building – Residential	0.1	-	-	-	24.0
7	Security Fencing	0.0	-	-	-	-
8	Tools & Equipment	0.0	-	-	-	-
9	Boundary Wall	2.0	-	-	-	-
10	Electrical Installations	14.2	-	-	-	-
	<b>Total (₹ 119.6 crores)</b>	<b>17.1</b>	<b>-</b>	<b>-</b>	<b>78.5</b>	<b>24.0</b>
<b>Revised capital expenditure submitted by AAI dated 01.02.2018 and 16.02.2018</b>						
1	Runway	-	-	4.5	-	-
2	Taxiway	-	-	2.3	-	22.0
3	Aprons	-	-	0.8	-	139.8
4	Road, Bridges & Culverts	-	-	-	-	-
5	Building- Terminal	3.2	-	3.0	-	71.6
6	Building – Residential	-	0.1	-	0.8	-
7	Building – Other	0.1	0.5	-	-	-
8	Security Fencing	0.0	-	-	-	-
9	Computer & IT Hardware	0.2	-	0.4	0.2	0.2
10	Plant & Machinery	4.1	-	3.0	0.0	0.0
11	Tools & Equipment	0.7	0.0	-	-	-
12	Boundary Wall	1.7	0.1	-	-	-
13	Electrical Installations	4.0	8.1	22.8	6.0	0.0
14	Other Vehicles	0.2	-	-	-	-
15	Office Equipment	0.0	0.0	0.0	0.	0.0
16	X- Ray Baggage Inspection System	2.9	0.9	-	-	-
17	Intangible Asset	0.1	-	-	-	-
	<b>Total (₹ 304.2 crores)</b>	<b>17.1</b>	<b>9.7</b>	<b>36.8</b>	<b>7.0</b>	<b>233.6</b>

9.2. AAI had submitted following details of the proposed major capital works to be



undertaken during the control period:

9.2.1. Taxiway

9.2.2. Construction of part parallel taxi along with angular Taxiway (₹ 22.0 crores in FY 2020-21)

Ahmedabad is currently a single runway airport. In order to optimise the efficiency of runway, it is necessary to have full length parallel taxi track to maximize the aircraft operation. Construction of part parallel taxi proposal is to enhance length of PTT to the extent possible to increase the present capacity of aircraft operation.

9.2.3. Aprons

9.2.4. Extension of aprons for parking (₹ 139.8 crores under Apron in FY 2020-21)

Extension of aprons are proposed to be undertaken as air traffic at Ahmedabad Airport recorded a higher growth rate and expected to growth at a similar rate. Availability of night parking facility and being diversionary airport during the adverse climate condition, the existing parking bays are inadequate to meet the present and future aircraft demand.

9.2.5. Terminal Building

9.2.6. Modifications in domestic terminal (₹ 71.6 crores under Terminal Building in FY 2020-21)

The existing design capacity of Domestic Terminal is about 4.1 million passenger per annum. Against this Ahmedabad Airport is presently handling about 7.5 million passenger per annum. In order to increase the present capacity, modification of terminal building will be undertaken to enhance the floor area of the Terminal Building including electrical installations such as escalator, lift etc.

9.3. Plant and Equipment

9.3.1. Setting, Installation, Testing and Commissioning (SITC) of design based solar power plant (₹ 3.4 crores in FY 2016-17) and SITC of PA system (₹ 3 crores in FY 2018-19)

SITC of Design based Solar Power Plant is proposed to be undertaken for



reducing energy consumption of the airport. The proposal for SITC of PA System will be undertaken as the existing PA system is around 15 years old and spares of the same are not available. Hence, SITC of new PA system is proposed to replace the existing PA system for improving passenger facilitation at the airport.

#### **Authority's Examination**

- 9.4. The Authority had requested AAI to submit the aeronautical capital expenditure to be incurred in FY 2016-17 and in 2<sup>nd</sup> control period based on actual capital expenditure in FY 2016-17. In response to this, AAI vide submission dated 01.02.2018 had provided the revised aeronautical capital expenditure to be incurred in 2<sup>nd</sup> control period. AAI had further revised the aeronautical capital expenditure to be incurred vide submission dated 16.02.2018.
- 9.5. AAI vide submission dated 16.02.2018 had submitted that the total cost of ₹ 7.5 crores for wall to wall grading along with drainage in operational area to be divided between runway (60%), taxiway (30%) and apron (10%). The Authority had proposed to consider aeronautical capital expenditure towards wall to wall grading along with drainage in operational area for runway, taxiway and apron (₹ 7.5 crores in FY 2018-19 total, ₹ 4.5 crores for runway, ₹ 2.25 crores for taxiway and ₹ 0.75 crores for apron) as submitted by AAI dated 16.02.2018.
- 9.6. The Authority had noted that the total capital expenditure for part parallel taxi track along with angular taxiway is ₹ 22.0 crores in FY 2020-21 with total area of 32,060 Sq.m and per Sq.m cost is ₹ 6,862 which is more than the inflation adjusted normative benchmark for taxiways.
- 9.7. The Authority requested justification from AAI for higher than normative costs for construction of part parallel taxi track along with angular taxiway. AAI, vide its submission on 19.03.2018, had provided clarification that the proposed per sq. m. cost of ₹ 6,862 includes the cost of earth work required for the construction of part parallel taxi track along with angular taxiway. AAI had further clarified that per Sq.m. cost proposed is higher than the normative benchmark because of concentration of electrical installations in the limited extended floor area.





- 9.8. The Authority noted that the total capital expenditure for extension of aprons is ₹ 139.8 crores in FY 2020-21 with total area of 243,600 Sq.m and per Sq.m cost is ₹ 5,740 which is less than the inflation adjusted normative benchmark for aprons. The Authority had proposed to consider aeronautical capital expenditure towards extension of aprons as submitted by AAI.
- 9.9. The Authority noted that AAI had proposed capital expenditure of ₹ 2.5 crores towards construction of integrated office complex. The Authority had proposed to consider aeronautical capital expenditure towards construction of integrated office complex as submitted by AAI under Terminal Building.
- 9.10. The Authority requested justification from AAI for using 100% of proposed capital expenditure for Terminal Building related assets as aeronautical assets. AAI vide its submission on 19.03.2018 clarified that Terminal Ratio can be applied for considering aeronautical capital expenditure for Terminal Building assets.
- 9.11. The Authority noted that AAI had considered minor capital expenditure related to terminal building as purely aeronautical assets (₹ 0.5 crores in FY 2016-17 and ₹ 3.0 crores in FY 2018-19). The Authority had proposed to consider aeronautical capital expenditure towards terminal related assets based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 0.46 crores in FY 2016-17 and ₹ 2.8 crores in FY 2018-19) under Terminal Building.
- 9.12. The Authority noted that AAI had considered capital expenditure towards development of additional parking area (₹ 0.3 crores in FY 2016-17). The Authority requested AAI to clarify if the asset is related to car park. AAI vide submission dated 16.02.2018 stated that the development of additional parking area is made in apron side and not related to car parking. The Authority in accordance with this clarification has decided to consider aeronautical capital expenditure towards development of additional parking area as submitted by AAI.
- 9.13. The Authority noted that the total capital expenditure for proposed modification in domestic terminal is ₹ 71.6 crores in FY 2020-21 with total area of 3,780 Sq.m and per Sq.m cost is ₹ 189,392 which is more than the inflation adjusted normative benchmark for terminal building.



- 9.14. The Authority noted that AAI had considered capital expenditure related to SITC of design based solar power plant as purely aeronautical assets (₹ 3.4 crores in FY 2016-17). The Authority had proposed to consider aeronautical capital expenditure towards SITC of design based solar power plant based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 3.1 crores in FY 2016-17) under Plant & Machinery.
- 9.15. The Authority noted that AAI had submitted capital expenditure towards SITC of PA system (₹ 3.0 crores in FY 2018-19) and other minor capital expenditure for Plant & machinery. The Authority had proposed to consider aeronautical capital expenditure towards SITC of PA system and other minor capital expenditure for Plant & Machinery as submitted by AAI.
- 9.16. The Authority noted that AAI had submitted electrical installation capital expenditure for terminal related assets as purely aeronautical assets (₹ 1.4 crores in FY 2016-17, ₹ 1.7 crores in FY 2017-18, ₹ 15.1 crores in FY 2018-19 and ₹ 6.0 crores in FY 2019-20). The Authority had proposed to consider aeronautical capital expenditure towards electrical installation related to terminal building based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 1.3 crores in FY 2016-17, ₹ 1.6 crores in FY 2017-18, ₹ 14.0 crores in FY 2018-19 and ₹ 5.6 crores in FY 2019-20) under Electrical Installation.
- 9.17. The Authority noted that AAI had submitted other electrical installation related assets as ₹ 2.5 crores in FY 2016-17, ₹ 6.4 crores in FY 2017-18 and ₹ 7.8 crores in FY 2018-19 as purely aeronautical assets. The Authority had proposed to consider aeronautical capital expenditure towards Electrical Installation as submitted by AAI.
- 9.18. The Authority had proposed to consider other minor aeronautical capital expenditure for Building residential, security fencing, other building, computer IT & hardware, tools & equipment, other vehicles, office equipment, X ray baggage inspection system, boundary wall and intangible assets as submitted by AAI dated 01.02.2018 and 16.02.2018 (Total amount is ₹ 8.9 crores during the 2<sup>nd</sup> control period).
- 9.19. The Authority requested justification from AAI for using 100% of proposed capital expenditure for Residential Building as aeronautical assets. AAI vide its submission on 19.03.2018 clarified that out of total 89 quarters, ANS employees are occupying 19



quarters while no quarters are currently occupied by commercial employees. The Authority had proposed to consider aeronautical capital expenditure for Residential Building based on a ratio of 70/89.

9.20. The Authority noted AAI's submission on capital expenditure for extension of apron and modification of domestic terminal building as per normative order. The Authority had proposed to revise the capital expenditure for extension of apron based on normative benchmarks for FY 2015-16 and increase the benchmarks by WPI of 4.2% per annum till the year of capitalization. Additionally, the Authority had proposed to accept the capital expenditure towards modification of domestic terminal building based on cost per Sq.m benchmark available as per normative cost studies conducted for other major airports. The normative capital expenditure arrived at by the Authority in the Consultation Paper No. 03/2018-19 is shown in Table 29.

Table 29 – Capital expenditure for apron and domestic terminal building as proposed by the Authority

Sr. No.	Asset	Year	Area (sq. m.)	Permissible normative benchmark cost per unit area (₹ per sq. m.)	Allowed Capex (₹ cr.)
1	Construction of part parallel taxi along with angular Taxiway	FY 2020-21	32,060	5,773*	₹ 18.5
2	Proposed modifications in Domestic Terminal-1	FY 2020-21	3,780	100,000#	₹ 37.8

\* inflation adjusted normative benchmark cost per unit area (₹ per sq. m.)

# as per study conducted by the Authority for major airports

9.21. The Authority had also proposed to consider aeronautical capital expenditure towards modification in domestic terminal 1 based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 35.0 crores in FY 2020-21).

9.22. The Authority had proposed to consider the total aeronautical capital expenditure to be capitalized and added to RAB at ₹ 261.6 crores in the Consultation Paper No. 03/2018-19.

Table 30 - Revised aeronautical capital expenditure for 2<sup>nd</sup> control period as considered by the Authority in the Consultation Paper No. 03/2018-19





S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runway	0.0	0.0	4.5	0.0	0.0
2	Taxiways	0.0	0.0	2.3	0.0	18.5
3	Apron	0.0	0.0	0.8	0.0	139.8
4	Road, Bridge & Culverts	0.0	0.0	0.0	0.0	0.0
5	Terminal Building	3.2	0.0	2.8	0.0	35.0
6	Building Residential	0.0	0.1	0.0	0.6	0.0
7	Security Fencing	0.0	0.0	0.0	0.0	0.0
8	Building Other	0.1	0.5	0.0	0.0	0.0
9	Computer & IT Hardware	0.2	0.0	0.4	0.2	0.2
10	Plants & Machinery	3.8	0.0	3.0	0.0	0.0
11	Tools & Equipment	0.7	0.0	0.0	0.0	0.0
12	Other Vehicles	0.2	0.0	0.0	0.0	0.0
13	Electrical Installation	3.9	8.0	21.7	5.6	0.0
14	Office Equipment	0.1	0.0	0.0	0.0	0.0
15	X-Ray Baggage Insp Sys	2.9	0.9	0.0	0.0	0.0
16	Boundary Wall	1.6	0.1	0.0	0.0	0.0
17	Intangible Asset	0.1	0.0	0.0	0.0	0.0
	<b>Total (₹ 261.6 crores)</b>	<b>16.7</b>	<b>9.6</b>	<b>35.4</b>	<b>6.4</b>	<b>193.6</b>

9.23. The Authority noted that the cost of the planned works is indicative. The Authority had proposed to consider the addition to aeronautical assets during the 2<sup>nd</sup> control period as given in Table 30 subject to true-up of RAB based on actual aeronautical asset addition, outcome of the study and the actual costs as per the tender while determining tariffs for the 3<sup>rd</sup> control period.

9.24. In the 2<sup>nd</sup> control period, project works related to construction of part parallel taxi track, extension of apron and modification in domestic terminal are proposed to be taken up. These require user consultation as per the Guidelines. The Authority expects AAI to provide all the required project information as part of the consultation process with users.

9.25. Based on the material before it and its analysis, the Authority proposed the following:

9.25.1. To consider allowable project cost of ₹ 261.6 crores and accordingly to reckon the amount of ₹ 261.6 crores as addition for total assets during the 2<sup>nd</sup> control period.

9.25.2. Directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.



9.25.3. To true-up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalisation of underlying assets in a given year.

**Stakeholders' comments and Authority's observations**

**AAI's submission on asset additions in 2<sup>nd</sup> control period**

9.26. During the stakeholder consultation meeting held on 11.05.2018, AAI has requested AERA to consider additional capital expenditure of ₹ 111.62 crore during the 2<sup>nd</sup> control period over and above ₹ 261.6 crore proposed by AERA in the Consultation Paper No. 03/2018-19. The details of additional capital expenditure is as follows –

Table 31- Additional capital expenditure proposed by AAI during the stakeholder consultation meeting

No	Particulars	Amount (in ₹ crore)	Status of the work	Justification
1	Supply of Bomb Suit	0.26	Completed in 2017-18	The Bomb Suits were provided to CISF. Purchased on 13.02.2018 for security reasons. Supporting attached.
2	Supply of Furniture for VIP Lounge T-1	0.09	Completed in 2017-18	The furniture was procured locally by Store Section for VIP Lounge Terminal 1. Supporting Attached
3	3Nos of New M&M Jeep	0.18	Completed in 2017-18	3 New jeeps were procured locally for airport operations day to day requirement and capitalized during the year 2017-18. These jeeps are being used for exclusively by airport operations. Supporting Attached
4	Procurement of IT Switch and Printer etc.	0.09	Completed in 2017-18	Printer & IT Switch were procured for different sections requirement and used





				for Airport operations, capitalized during the year.
5	SITC of 52 Nos of RB XBIS	0.21	Completed in 2017-18	1 RB XBIS was installed at Ahmedabad Airport and capitalized during the year. XBIS were used for passenger facilitation. Supporting attached.
6	Procurement of three Seater Chairs for Terminal Building	0.90	Completed in 2017-18	310 three seater sofas were provided in Terminal Buildings (T-1 & T-2), capitalized during the year. Supporting attached.
7	High Mast at Apron	2.61	To be completed in 18-19	High mast is required at Apron in the financial year 2018-19.
8	Provision for 2 Nos PBB ( Actual Rs 566 Lacs – Projection Rs 440 Lacs )- Difference to be considered	1.26	To be completed in 18-19	Two PBBs were installed in T-2, procured centrally, kept in CWIP and will be capitalized during 2018-19. Supporting attached. These will facilitate passenger for smooth boarding.
9	Provision of Automatic Tag Reader (ATR) in T-2 Departure Conveyor System at Ahmedabad Airport. ( Actual Rs 1020-Lacs – Projection Rs 341Lacs )- Difference to be considered	6.80	To be completed in 18-19	As per BCAS required for tracking of bags for creating ID for retrieval of images. For international the estimated expenditure would be Rs.8 Crores and for Domestic would be Rs.2.2 Crores.
10	PIDS (Perimeter Intrusion Detection System)	50.00	PDC 18-19	Perimeter Intrusion Detection System work will be carried out during the F.Y.





				2018-19 for strengthen security of the boundary wall of the airport. It will create invisible boundary for security of operational area. It has principal approval of competent authority and will be completed during 2018.19
11	Inline Baggage System Quantity 3 Nos	27.33	PDC 18-19	2 systems will be installed at T-2, not installed earlier and 1 will be installed at T-1. Work order has been placed by CHQ to Smith Detection Asia Pacific Limited. Supporting attached.
12	Automatic Tray Retrieval System (ATR)	10.00	PDC 18-19	Tenders have been floated by CHQ. , Supporting attached. It will facilitate passenger during security check for hand bag screening
13	FIDS of Terminal 2	3.00	PDC 18-19	This will facilitate the passenger for flight status. Installation of CCTV Camera at Isolation Bay: Electric work has been completed and CCTV
14	Installation of CCTV Camera at Isolation bay	1.05	PDC 18-19	Electric work has been completed and CCTV Cameras will be installed for operational requirement. Supporting attached.
15	Passenger Baggage Trolleys (270 Nos)	0.24	Completed in 17-18	270 trolleys received and capitalized during



				the year 2017-18. Rest 1380 trolleys will be procured for the F.Y 2018-19 for passenger facilitation.
16	Passenger Baggage Trolleys (1380 Nos)	1.43	PDC 18-19	1380 trolleys received and capitalized during the year 2017-18.
17	Operational Vehicle (Bolero) 3 Nos	0.19	Completed in 17-18	3 New Bolero were procured locally for airport operations day to day requirement and capitalized during the year 2017-18. These vehicles are being used for exclusively by airport operations. Supporting Attached
18	Bird Scaring Devices	0.11	Completed in 17-18	Bird Scaring devices procured locally to avoid bird hazard in operational area, capitalized during the year and supporting attached.
19	Rubber Removal Machine	2.20	PDC 18-19	Work order placed by CHQ and will be capitalized as and when received. This is required for maintaining of friction level at Runway and is operational requirement. Supporting attached.
20	Airport Runway Friction Testing Equipment	1.33	PDC 18-19	In order to check the friction level of the runway periodically.
21	3 Nos of Ambulance	0.51	PDC 18-19	These are required for Ahmedabad Airport for operational requirement and will be capitalized as and when received by the



				station. Supporting attached.
22	1 No of Grass cutting Machine	0.64	PDC 18-19	Work Award has been issued and will be capitalized in the year 2018-19. This machine is for operational requirement. Supporting attached.
23	Bullet Proof QRT Vehicle	0.55	PDC 18-19	These vehicles will be procured by AAI CHQ centrally. These will be used by CISF for security / operational requirement.
24	Command Post Vehicle	0.44	PDC 18-19	Award letter has been issued and will be capitalized as and when received at the station, supporting attached. These vehicles will be used by CISF for security / operational requirement.
25	Battery operated Mini Golf	0.20	PDC 18-19	Work award has been issued by CHQ and will be capitalized as and when received at the station, supporting attached. This will facilitate the passengers at Terminal Building.
	<b>Total (₹ crore)</b>	<b>111.62</b>		

**Authority's examination of AAI's submission**

9.27. The Authority had reviewed the additional capital expenditure items and had proposed to include the additional capital expenditure proposed by AAI as per Table 31 in RAB since some of the items of expenditure have already been incurred and many





are required to improve the security and operational efficiency of the airport in the Addendum to Consultation Paper No. 03/2018-19.

**Comments from IATA**

- 9.28. IATA urges AERA in the strongest possible terms to enforce its Consultation Protocol per the 2011 Act at SVPIA (and all other airports that are subject to economic regulation), to ensure meaningful consultation with airline stakeholders who fund and pay for major capital expenditures. AERA's selection of the word "should" (proposal 5.b) in the consultation paper denotes that compliance with the Consultation Protocol is a recommendation and not a prerequisite prior to the capital expenditure proposal going to AERA for determination. The use of the word "must" would more appropriately represent the requirement. "AAI must (instead of the word should in the consultation paper) undertake user stakeholder consultation process for major capital expenditure as per the guidelines".
- 9.29. We would welcome AERA's feedback regarding its reluctance to enforce the protocol that is having a substantial, detrimental impact on airline Users and consumers. Put simply, airlines require a Business Case to ensure investments deliver a return on investment for them, as any businesses do. For clarity, our expectation is AERA supports the implementation of consultation frameworks between airports and the airline community. We do not expect AERA to facilitate meetings or attend every meeting, however unless the mandate to consult with transparency in accordance with the Protocol is enforced, airports will continue with meaningless lip service consultation that ignores Users views at the expense of the consumer. Regulation should encourage airports to behave like any business subject to competitive market forces – however it is not fulfilling this requirement. Put simply, unless monopoly airports are forced to consult with their customers, they will choose not to do so, or engage half-heartedly with little intention of listening to their customers views, that we are sure is not AERA's intention.
- 9.30. IATA supports the normative cost benchmark approach as stated in previous airport submissions, however this alone does not demonstrate capital efficiency and value for money for airport Users. Capital efficiency benchmarks also need to take into account



the outturn costs of investment, the design of the facility and how it being used. This can only be reasonably assessed through the involvement of the airline community to determine the optimum functional design solution, and ideally an independent assessment of project cost plans, not just the capital cost inputs. AERA references the need for airports to form Project Investment Files, to review costs and benefits in order to take informed, joint decisions. Another obvious, key element of any capital consultation should be the associated operating costs, both from, the airport and Users perspective. Put simply, if there is no return on investment for Users and consumers ultimately paying for these projects, why invest? In principle, any capital investment should result in a reduction in operating costs.

9.31. Another specific issue is AERA's approach to automatically adjust inflation for normative cost that we suggest is reassessed. Airport procurement teams should be able to reasonably offset at least part of the associated inflation costs through commercial tendering, negotiation, and economies of scale.

9.32. Notwithstanding these comments we welcome AERA's assessment to reduce the cost of terminal developments from 71.6 crores to 37.8 crores based on normative cost benchmarks. In IATA's experience terminal developments in particular often attract unjustifiable and unnecessary cost premiums resulting from over-specified facilities. Users require functional, efficient facilities that balance costs and service quality. Users do not require nor wish to fund museums, artwork or very high end finishes – the level of finishes should be consulted upon with Users at all times. We advise AERA to recognise the IATA Airport Development Reference Manual's Levels of Service (LoS) framework as a starting point for the terminal design and consultation process (recognising this does not address the level of specification and finishes).

9.33. Regarding specific airport project comments and AERA's replies we again urge AERA to require a Business Case (Project Investment file) to be formed for each project. The level of detail provided for each major element or change is insufficient to enable Users to comment on an informed basis that is extremely frustrating given our members are paying for these investments.

9.34. Taxiways



The case for investing in parallel taxi tracks could very well be compelling to help improve the efficiency of the runway and movement of aircraft given the growth being experienced at the airport. The business case for investment should be shared so Users can understand the benefits associated with the project, and review the various options that have been considered leading to a full length parallel taxiway.

#### 9.34.1. Aprons

We request the basis for investment is provided in more detail, specifically how growth relates to apron capacity, and the number of parking bays requires during peak hours during the second control period and beyond for at least a 5-year period. The total number of parking bays required by aircraft type is required, including the split between contact gates, remote stands and parking only stands. In summary, we request a review of the planning assumptions before the project is included in the capital plan. This includes the provision for aircraft night parking.

9.35. Costs relating to the infrastructure regarding nominating the airport as a diversion airport during adverse climate conditions needs to be consulted upon with the airline community funding the development.

#### **AAI's submission to IATA's comments**

9.36. AAI submitted that the major capital expenditure is incurred by AAI for the airport after detailed consultation with stakeholders by conducting AUCC as prescribed by AERA.

#### **Comments from FIA**

9.37. Regarding the capital expenditure, FIA submits that –

9.37.1. In para 8.4 of Consultation Paper No. 03/2018-19, it has been stated that AAI vide submission dated 01.02.2018 provided the revised aeronautical capital expenditure to be incurred in 2nd control period. AAI further revised the aeronautical capital expenditure to be incurred vide submission dated 16.02.2018. FIA, being one of the stakeholders, should be provided with a copy of such revision in the capital expenditure and AAI should be requested to justify the revisions made in the capital expenditure within 15 days of its earlier submission. Further, FIA submits that the Authority is well aware of the





delay in incorporation of the revised tariffs in the second control period and any further delay to commission the study on critical issues may adversely impact the determination of the tariffs for aeronautical services. Further, prior user consultation should be undertaken by AAI before proposing any expenditure proposal to the Authority and the same should be demonstrated and justified with complete documentation before the Authority.

9.38. Regarding the additional capital expenditure proposed in the Addendum to Consultation Paper, FIA submits that –

9.38.1. For the Consultation Paper No. 03/2018-19, AAI had proposed total capital expenditure of ₹ 304.2 crore and Authority had proposed to consider ₹ 261.6 crore towards aeronautical capital expenditure towards RAB during the 2nd control period. Further, during the stakeholder consultation meeting held on 11.05.2018, AAI has requested Authority to consider additional capital expenditure of ₹ 111.62 crore during the 2<sup>nd</sup> control period over and above ₹ 261.6 crore proposed by AERA in the consultation paper. The details of additional capital expenditure are mentioned in Table 31.

9.38.2. Further, it is also stated that Authority propose to include the additional capital expenditure proposed by AAI in RAB as some of the expenditures has already been incurred and many are required to improve the security and operational efficiency of the airport.

9.38.3. In light of the above, FIA humbly submits that, as a matter of abundant precaution, Authority is requested to review the items under Table 31 to verify in case such items/additional capital works, on which certain expenditure has already been incurred by AAI, had not been excluded by Authority in the past.

9.38.4. Useful Life of the Additional Capital Expenditure: FIA humbly submits that the like in the case of other assets evaluated/reviewed at the time of the earlier Consultation Paper, Authority should determine useful life of these assets mentioned under Table 31 for stakeholders comments.

9.38.5. Provision of Automatic Tag Reader (ATR): FIA submits that one of the additional items of capital expenditure as mentioned under Table 31 (sr. no. 9)



deals with provision of Automatic Tag Reader. FIA wishes to understand that if the service is being provided by SITA. If yes, FIA would like to humbly make the request that expenditure on such capital equipment provided by SITA, then in such case SITA would add to its charges similar to CUTE/ CUSS.

***AAI's submission on FIA's comments***

9.39. AAI submitted that AAI conducts stakeholders Consultation of Major works of an airport as per guidelines issued by AERA on Airport User Consultative Committee (AUCC) meetings.

9.40. In response to comments by FIA regarding the additional capital expenditure proposed by AAI, AAI submitted that –

9.40.1. It is confirmed that the details of capital expenditure to the tune of ₹ 111.62 crores have not been included in the proposed capital expenditure of ₹ 304.2 crores.

9.40.2. The useful life of assets have been considered as per order no 35/2017-18 Dt. 12/01/2018 issued by AERA on the subject.

9.40.3. AAI shall incur the expenditure on ATR and not by SITA .This service shall be used by Security agencies.

***Authority's examination of IATA and FIA's comments and AAI's submission on IATA's and FIA's comments***

9.41. At the outset, the Authority would express its displeasure over the casual manner in which AAI has submitted the details of its capital additions at the time of the discussions on its consultation paper. The Authority expects AAI to ensure that in future such matters are not casually dealt with and that all the details of capital expenditure are made available well before consultation with stakeholders.

9.42. The Authority has given careful consideration to the comments from IATA on the capital expenditure.

9.43. With respect to IATA's comment on the need for meaningful consultation before projects are approved, the Authority notes that the capital expenditure for assets falling under Category 2 (more than minimum of 10% of opening RAB or ₹ 500 cr.), airport operators are required to undertake consultation with Users including airlines at



Stage 1 (Needs Identification Stage) and Stage 3 (Detail project design stage) as per the AERA Guidelines, 2011. Further, the Authority has directed airport operators that an Authority's representative should be invited to become part of the stakeholder consultation meetings for capital expenditure.

9.44. The Authority notes FIA's comments on prior user consultation and has directed airport operators that an Authority's representative should be invited to become part of the stakeholder consultation meetings for capital expenditure. The Authority would appreciate constructive involvement of airlines in such a consultative process.

9.45. The Authority is mindful of the fact that the user consultation on the capital asset projects forms a crucial part of the airport economic regulations which has to be adhered by the regulated airport operators. The Authority would monitor the process of the user consultation and ensure that it is followed as per the norms. The Authority urges the stakeholders to bring out the deficiencies in the user consultation while the process is ongoing or immediately after the completion of the process.

9.46. In addition, the Authority insists that AAI must undertake user consultation process as per the norms and provide the stakeholders detailed project investment file report as part of consultation meetings.

9.47. The Authority notes FIA's comment regarding additional capital expenditure and useful life of additional assets capitalized. The Authority has reviewed the additional capital expenditure items and decides to include the additional capital expenditure proposed by AAI as per Table 31 in RAB since some of the items of expenditure have already been incurred and many are required to improve the security and operational efficiency of the airport. Additionally, the Authority notes that the additional capital expenditure proposed by AAI during the stakeholder consultation meeting have been reviewed thoroughly and verified for the usage of such assets for airport operations and security purposes during the airport visit during the stakeholder consultation meeting.

9.48. Regarding the useful life of additional assets capitalized, the Authority decides to adopt useful life as per the Authority's Order No. 35/2017-18 dated 12.01.2018. Accordingly, the revised capital expenditure capitalization considered by the Authority





in the Order is given in table below –

Table 32 - Revised aeronautical capital expenditure for 2<sup>nd</sup> control period as considered by the Authority in the Order

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runway	0.0	0.0	4.5	0.0	0.0
2	Taxiways	0.0	0.0	2.3	0.0	18.5
3	Apron	0.0	0.0	0.8	0.0	139.8
4	Road, Bridge & Culverts	0.0	0.0	0.0	0.0	0.0
5	Terminal Building	3.2	0.0	2.8	0.0	35.0
6	Building Residential	0.0	0.1	0.0	0.6	0.0
7	Security Fencing	0.0	0.0	0.0	0.0	0.0
8	Building Other	0.1	0.5	0.0	0.0	0.0
9	Computer & IT Hardware	0.2	0.0	0.4	0.2	0.2
10	Plants & Machinery	3.8	0.0	5.2	0.0	0.0
11	Tools & Equipment	0.7	0.4	3.0	0.0	0.0
12	Other Vehicles	0.2	0.0	1.7	0.0	0.0
13	Electrical Installation	3.9	8.0	122.7	5.6	0.0
14	Office Equipment	0.1	0.1	0.0	0.0	0.0
15	Furniture Opl Area	0.0	1.2	1.4	0.0	0.0
16	X-Ray Baggage Insp Sys	2.9	1.1	0.0	0.0	0.0
17	Boundary Wall	1.6	0.1	0.0	0.0	0.0
18	Intangible Asset	0.1	0.0	0.0	0.0	0.0
19	Motor Car / Jeep	0.0	0.4	0.0	0.0	0.0
	<b>Total (₹ 373.3 crores)</b>	<b>16.7</b>	<b>11.8</b>	<b>144.8</b>	<b>6.4</b>	<b>193.6</b>

#### Decision No. 6. Capital Expenditure

- 6.a. The Authority decides to consider allowable project cost of ₹ 373.3 crores and accordingly to reckon the amount of ₹ 373.3 crores as addition for total assets during the 2<sup>nd</sup> control period.
- 6.b. The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.
- 6.c. The Authority decides to true-up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year.



## 10. Depreciation

10.1. AAI had submitted that the depreciation rates used are as per AAI's approved accounting policy. The salient aspects of AAI's depreciation policy being followed are as under:

10.1.1. Method of depreciation: straight line;

10.1.2. 100% of depreciation rates of assets if assets are used in a financial year for 180 days or more. If the assets are used for less than 180 days in a year the depreciation is charged at 50% of the depreciation rates. This policy is effective from the financial year 2012-13;

10.1.3. Residual value for each asset is taken as Re.1 balance to be provided by way of depreciation as per prescribed rates.

### ***Authority's Examination***

10.2. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed depreciation rates as mentioned in Para 5.7.

10.3. The Authority noted that the depreciation policy of AAI is not in accordance with the depreciation rates adopted by the Authority in other private airports. AAI is a statutory body established under the AAI Act and it does not come under the Companies Act. The Board of AAI has approved the depreciation policy that has been adopted by AAI.

10.4. The Authority noted that on some of the assets the depreciation charged by AAI is not in line with the Companies Act 2013. The Authority is of the view that adoption of depreciation rates as prescribed under the Companies Act at any point of time is appropriate, considering the variation in policies adopted by the airport operators. The Authority further noted that there is no specific mention of the classes of assets viz. apron, taxiway and runway in the AERA Act 1956 or in the Income Tax Act 1961.

10.5. In this regard, the Authority had commissioned a study to determine appropriate depreciation rates for regulation of airports in line with the provisions of the Companies Act 2013. The Authority vide its Order No. 35/2017-18 dated 12.01.2018 released the applicable depreciation rates on aeronautical assets. The Authority had proposed to consider the depreciation rates consistent to the order from FY 2018-19



onwards.

10.6. In light of above, in Consultation Paper No. 03/2018-19, for the categories of assets (runway, taxiway and apron) where no specific depreciation rate/ useful life has been mentioned in the Companies Act, the Authority had proposed to adopt depreciation rate of 3.33%. This rate is proposed to be applied on runway, taxiway and apron assets existing as on 01.04.2011 and on these assets added during 1<sup>st</sup> and 2<sup>nd</sup> control period from FY 2011-12 to FY 2017-18.

10.7. The Authority had proposed to adopt the depreciation rates mentioned under Companies Act for assets as per the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 till FY 2017-18 as the effective date of implementation of the Companies Act 2013 is 01.04.2014 in Consultation Paper No. 03/2018-19.

10.8. The Authority had proposed that for the new assets to be capitalized in the 2<sup>nd</sup> control period, depreciation is charged at 50% of the depreciation rates in the year of capitalization.

10.9. The depreciation rates as submitted by AAI and as considered by the Authority during the 1<sup>st</sup> and 2<sup>nd</sup> control period are given below:

Table 33 - Depreciation rates as submitted by AAI and as considered by the Authority till FY 2017-18

No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority from FY 2015 till FY 2018
1	Land	0%	0%	0%
2	Leasehold Land	0%	0%	0%
3	Runways	13%	3.33%	3.33%
4	Taxiway	13%	3.33%	3.33%
5	Aprons	13%	3.33%	3.33%
6	Road, Bridges & Culverts	13%	1.63%	3.33%
7	Building- Terminal	8%	1.63%	3.33%
8	Building – Temporary	100%	100%	33%
9	Building – Residential	5%	1.63%	3.33%
10	Security Fencing - Temporary	100%	100%	33%
11	Boundary Wall -Operational	8%	1.63%	3.33%





No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority from FY 2015 till FY 2018
12	Boundary Wall - Residential	5%	1.63%	3.33%
13	Other Buildings-Unclassified	8%	1.63%	3.33%
14	Computer & Peripherals	20%	16.21%	16.67%
15	Intangible Assets- Software	20%	20.00%	20.00%
16	Plant & Machinery	11%	4.75%	6.67%
17	Tools & Equipment	20%	4.75%	6.67%
18	Office Furniture	20%	6.33%	10%
19	Other Vehicles	14%	9.50%	12.50%
20	Vehicle- Cars & Jeeps	14%	9.50%	12.50%
21	Electrical Installations	11%	4.75%	10.00%
22	Other Office equipment	18%	4.75%	20.00%
23	Furniture & Fixtures-Other than office	20%	6.33%	10%
24	X Ray Baggage System	11%	4.75%	6.67%
25	CFT/Fire Fighting Equipment	13%	4.75%	6.67%

10.10. The depreciation rates considered by the Authority from FY 2018-19 are given below:

Table 34- Depreciation rates considered by Authority from FY 2018-19 onwards

No.	Asset Class	As per Authority from FY 2019
1	Terminal building (including VIP Terminal, Bus Terminal, Haj Terminal)	3.33%
2	Building in operational area	3.33%
3	Utility building	3.33%
4	Cargo complex	3.33%
5	Residential building	3.33%
6	Main access roads, Roads in operational area, Boundary wall, Security fencing	10.00%
7	Baggage handling/Escalators/Elevators/Travellite/HVAC equipment/Cargo ASRS/ETV equipment	6.67%
8	X-ray machine, RT Set, DFMD, HHMD, Security equipment	6.67%
9	Office equipment	20.00%
10	Furniture & fixtures - Other than trolleys	14.29%
11	Furniture & fixtures - trolleys	33.33%
12	Cargo equipment, Dollies, PPT	6.67%
13	Computers- End user devices	33.33%
14	Computers - Servers and Networks	16.67%



No.	Asset Class	As per Authority from FY 2019
15	CUTE equipment	16.67%
16	Electrical installation and equipment - Electrical fittings, including Runway lightning system Gen-set/Power equipment	10.00%
17	Flight information system, AOCC equipment	10.00%
18	Light motor vehicles and heavy motor vehicles	12.50%
19	Crash fire tenders/Other fire equipment including pumps, sprinklers	6.67%
20	Intangible assets - Computer software	20.00%
21	Runway/Taxiway/Apron	3.33%
22	Hangar	3.33%

10.11. The revised depreciation for the 2<sup>nd</sup> control period as per Hybrid Till as proposed by the Authority in Consultation Paper No. 03/2018-19 is given below:

Table 35 - Depreciation for the 2<sup>nd</sup> control period – Hybrid Till as considered by the Authority in the Consultation Paper

No.	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	As per AAI	41.9	36.3	32.6	30.8	32.0	173.6
2	As per Authority	26.6	27.2	29.5	29.0	31.2	143.5

10.12. Based on the material before it and its analysis, the Authority proposed the following:

10.12.1. To adopt depreciation rates as per Table 33 and Table 34 and depreciation for the 2<sup>nd</sup> control period as per Table 35

#### **Stakeholders' comments and Authority's observations**

##### **Comments from IATA**

10.13. Regarding depreciation, IATA commends AERA for enforcing a more reasonable approach to depreciation than what has been proposed by AAI and for correctly recognizing the revenues from cargo, ground handling series and supply of fuel to aircraft including land lease rentals and building rental as aeronautical revenue.

##### **Authority's examination of IATA's comments**

10.14. The Authority notes the comments from IATA on the treatment of depreciation and treatment of cargo, ground handling and fuel services revenues.



10.15. During the stakeholder consultation meeting held on 11.05.2018, AAI had requested Authority to consider additional capital expenditure of ₹ 111.62 crore during the 2<sup>nd</sup> control period over and above ₹ 261.6 crore proposed by AERA in the consultation paper.

10.16. The Authority has reviewed the additional capital expenditure items and decides to consider additional capital expenditure as proposed by AAI during the stakeholder consultation meeting and accordingly revise the depreciation for 2<sup>nd</sup> Control Period.

10.17. Based on the material before it and its analysis, the Authority decides the following:

10.17.1. To adopt depreciation rates as per Table 33 and Table 34 and depreciation for the 2<sup>nd</sup> control period as per Table 36

Table 36 - Depreciation for the 2<sup>nd</sup> control period – Hybrid Till as considered by the Authority in the Order

No.	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	As per AAI	41.9	36.3	32.6	30.8	32.0	173.6
2	As per Authority	26.6	27.3	33.8	37.4	39.6	164.7

#### Decision No. 7. Treatment of Depreciation

7.a. The Authority decides to adopt depreciation rates as per Table 33 and Table 34, as applicable and depreciation for the 2<sup>nd</sup> control period as per Table 36.





## 11. RAB for Second control period

11.1. AAI had submitted Regulatory Asset Base for 2<sup>nd</sup> control period under Hybrid Till as follows:

Table 37 - Summary of the RAB and Depreciation for SVPIA (Airport Services) as per AAI for the 2<sup>nd</sup> control period

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	175.5	150.6	114.3	81.7	129.4
B	Aeronautical Additional Assets capitalized during the year	17.1	0.0	0.0	78.5	24.0
C	Disposals/Transfers					
D	Depreciation	41.9	36.3	32.6	30.8	32.0
E	Closing Aeronautical RAB (A+B-C-D)	150.6	114.3	81.7	129.4	121.4
	<b>Average RAB (A+E)/2</b>	<b>163.0</b>	<b>132.4</b>	<b>98.0</b>	<b>105.6</b>	<b>125.4</b>

### Authority's Examination

11.2. The Authority had proposed to adopt opening RAB for FY 2016-17 as detailed in Table 27.

11.3. The Authority had proposed to adopt depreciation as proposed in Table 35 in Consultation Paper No 03/2018-19.

11.4. The Authority had proposed ₹ 261.6 crores as the addition of aeronautical assets to RAB as detailed in Table 30 in Consultation Paper No 03/2018-19.

11.5. During the discussion with AAI, it was noted that for FY 2016-17 AAI had continued to handle cargo operations at the SVPIA. As noted in Para 7.10, the Authority had proposes to include cargo assets from 01.04.2016 till 31.03.2017 and had proposed to exclude them from 01.04.2017 till 31.03.2021. Further, the Authority noted that there is no clarity on the transfer of cargo assets to AAICLAS as of now. The Authority will take a view on this while truing up in the 3<sup>rd</sup> control period based on the decisions taken by the AAI.

11.6. The revised Regulatory Asset Base as calculated by the Authority for 2<sup>nd</sup> control period under Hybrid Till for Consultation Paper No. 03/2018-19 is as follows:



Table 38 - Summary RAB and Depreciation for SVPIA (Airport Services) considered by the Authority for 2<sup>nd</sup> control period in the Consultation Paper

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	294.9	284.5	266.9	272.8	250.3
B	Aeronautical Assets capitalized during the year	16.7	9.6	35.4	6.4	193.6
C	Disposals/Transfers	0.0	0.0	0.0	0.0	0.0
D	Depreciation	26.6	27.2	29.5	29.0	31.2
E	Closing Aeronautical RAB (A+B-C-D)	285.0	266.9	272.8	250.3	412.6
	<b>Average RAB (A+E)/2</b>	<b>290.0</b>	<b>275.7</b>	<b>269.9</b>	<b>261.5</b>	<b>331.4</b>
G	Cargo closing RAB	0.5				
	Closing Aeronautical RAB without cargo	284.5				

11.7. The Authority had proposed to true up the RAB of 2<sup>nd</sup> control period based on actual asset addition and revised depreciation rates, at the time of determination of tariff for the 3<sup>rd</sup> control period.

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#### **Stakeholders' comments and Authority's observations**

##### **Comments from IATA**

11.8. On the RAB for 2<sup>nd</sup> control period, IATA submitted that the allocation of asset to aeronautical at 92.5% can still be considered high. We would recommend AERA to consider conducting on-site assessment or evaluation to get a more accurate indication of assets and resources allocation between aeronautical and non-aeronautical activities.

##### **AAI's submission to IATA's comments**

11.9. AAI submitted that detailed analysis was carried out by AAI in order to determine for the aero and non-aero ratio of Terminal Building. The detailed ratios are calculated on the basis of actual and projected non-aeronautical activities. AERA has examined the same during their visit to the airport.

##### **Authority's examination of IATA's comments and AAI's submission to IATA's comments**

11.10. The Authority has noted comments from IATA related to asset allocation between aeronautical and non-aeronautical assets for SVPIA and returns on non-aeronautical



assets. The Authority has provided the rationale for allocating the assets and O&M expenditure into aeronautical and non-aeronautical components in the Consultation Paper. For example, terminal related assets have been allocated into aeronautical assets based on terminal building ratio of 92.5% to 7.5% to encourage growth of NAR which would cross-subsidize aeronautical charges. In future, the Authority would expect AAI to allocate more terminal building area for non-aeronautical services and consider a revision while truing-up.

#### ***AAI's submission on RAB***

11.11. During the stakeholder consultation meeting held on 11.05.2018, AAI had requested Authority to consider additional capital expenditure of ₹ 111.62 crore during the 2<sup>nd</sup> control period over and above ₹ 261.6 crore proposed by AERA in the consultation paper.

#### ***Authority's examination of AAI's submission***

11.12. The Authority has reviewed the additional capital expenditure items and decides to consider additional capital expenditure as proposed by AAI during the stakeholder consultation meeting and accordingly revise the RAB for 2<sup>nd</sup> Control Period.

#### ***Comments from FIA***

11.13. Regarding the RAB for 2<sup>nd</sup> Control Period, FIA submitted that under Table 31 (Summary of RAB and Depreciation for SVPIA (Airport Services) as per AAI for second control period of the earlier Consultation Paper No. 03/2018-19, which is now revised as Table 16 in the Addendum issued dated 21.05.2018, and the Table 32 (Summary of forecast and Roll forward RAB and Depreciation for SVPIA (Airport Services) considered by Authority for 2<sup>nd</sup> control period) of the earlier Consultation Paper No. 03/2018-19, there is a substantial difference in the amount/value of Aeronautical Assets capitalized (in year 2020-21 i.e. ₹ 193.6 crores) proposed respectively by AAI and Authority. Such quantum increases in the valuation of the Aeronautical Assets capitalized for the year 2020- 21 needs to be explained/ justified by the Authority/AAI with cogent reasons.

#### ***AAI's submission to FIA's comments***

11.14. AAI submitted that AAI had submitted the revised capex of ₹ 233.6 crores vide dt. 01.02.2016 and 16.02.2016 as per Table no. 28 however, AERA had wrongly shown as ₹





24 crores only which was initially submitted to AERA, while revised projection of AAI at Table No. 28 should have been considered. AERA has reduced the capex to ₹ 193.6 crores as per normative approach.

**Authority's examination of IATA's comments and AAI's submissions**

11.15. The Authority notes that due to additional capital expenditure proposed by AAI during the stakeholder consultation meeting, the aeronautical capital expenditure during the 2<sup>nd</sup> control period as decided by the Authority has increased from ₹ 261.6 crore to ₹ 373.3 crore as given in Table 32.

11.16. The Authority notes FIA's comment related to assets capitalized in FY 2020-21. The Authority notes that the assets capitalized in FY 2020-21 as proposed by the Authority in the Consultation Paper No. 03/2018-19 and in the addendum are the same. The difference in capitalization amount in FY 2017-18 and FY 2018-19 is due to the additional capital expenditure proposed by AAI during the stakeholder consultation meeting. Table 16 in the Addendum issued dated 21.05.2018 is the revised RAB proposed by the Authority after considering additional capital of ₹ 111.62 crore during the 2<sup>nd</sup> control period over and above ₹ 261.6 crore proposed by AERA in the Consultation Paper No 03/2018-19.

11.17. Accordingly, the revised Regulatory Asset Base as calculated by the Authority for 2<sup>nd</sup> control period under Hybrid Till for the final Order is as follows:

Table 39 - Summary RAB and Depreciation for SVPIA (Airport Services) considered by the Authority for 2<sup>nd</sup> control period in the Order

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	294.9	284.5	269.0	380.0	349.0
B	Aeronautical Assets capitalized during the year	16.7	11.8	144.8	6.4	193.6
C	Disposals/Transfers	0.0	0.0	0.0	0.0	0.0
D	Depreciation	26.6	27.3	33.8	37.4	39.6
E	Closing Aeronautical RAB (A+B-C-D)	285.0	269.0	380.0	349.0	502.9
	<b>Average RAB (A+E)/2</b>	<b>290.0</b>	<b>276.8</b>	<b>324.5</b>	<b>364.5</b>	<b>426.0</b>
G	Cargo closing RAB	0.5				
	Closing Aeronautical RAB	284.5				



	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
	without cargo					

**Decision No. 8. RAB for 2<sup>nd</sup> control period**

8.a. The Authority decides to consider RAB for 2<sup>nd</sup> control period as given in Table 39

8.b. The Authority decides to true up the RAB of 2<sup>nd</sup> 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 3<sup>rd</sup> control period.



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## **12. Cost of Equity, Cost of Debt, Gearing, and Fair Rate of Return (FRoR)**

12.1. AAI had considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority in Chennai, Kolkata, Guwahati and Lucknow Airports for the 1<sup>st</sup> control period.

12.2. AAI has not taken any debt for financing SVPIA. FRoR is as per what has been adopted for AAI as a whole.

### **Authority's Examination**

12.3. The Authority had recognised that AAI's capital structure may not be regarded as an efficient one in that it doesn't optimize the cost of funds from a regulatory perspective. The Authority desires that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing. The Authority may also consider a normative capital structure to determine the FRoR at a later date. It may not be reasonable to expect AAI to contract large amounts of debt over a short period of time.

12.4. The Authority noted that as per a study conducted in respect of the 'Fair Rate of Return Estimation for AAI' in July 2011 it estimated a figure of 14.96% as Fair Rate of Return for AAI. The Authority noted that it had considered FRoR at 14% for Chennai and Kolkata airport in the 1<sup>st</sup> control period considering the recommendations of another study done by NIPFP. Based on the decision taken for Chennai and Kolkata airport, the Authority considered FRoR at 14% for Guwahati and Lucknow airport for 1<sup>st</sup> control period.

12.5. Based on the above, the Authority had proposed to consider FRoR at the rate of 14% for SVPIA for the 1<sup>st</sup> and 2<sup>nd</sup> control period as submitted by AAI.

### **Stakeholders' comments and Authority's observations**

#### **Comments from IATA**

12.6. IATA submitted that we welcome the plan by AERA to undertake a study to determine the FRoR for major AAI airports, recognizing the low debt structure of AAI as a whole. In particular, we understand that the cost of debt of AAI is 8.6%, so we fail to see how allowing an overall return of 14% to be appropriate.

#### **Comments from FIA**

12.7. FIA submitted that in para 11.5 of Consultation Paper No. 03/2018-19 , it is stated





that the Authority proposes to consider 'Fair Rate of Return Estimation' (FRoR) at the rate of 14% for SVPIA for the 1<sup>st</sup> and 2<sup>nd</sup> control period as submitted by AAI. The Authority has based this decision on the FRoR considered for airports at Chennai and Kolkata airport in 1<sup>st</sup> control period considering the recommendations made under the study done by NIPFP. FIA submits that SVPIA is operated and managed by AAI which admittedly falls under the definition of State under Article 12 of Constitution of India. Further, SVPIA is not being operated by an entity which is a private entity or as a public-private partnership (PPP) project which involves a substantial private investment. Therefore, the cost of equity at 14% p.a. for State is unreasonable and without any justification. AAI being a State, is under the constitutional obligation to cater the public interest and not commercial interest. Therefore, the cost of equity of 14% pa is very high and is arbitrary.

12.8. FIA would like to state that any particular study is based upon the peculiar facts and data of the particular airport and thus the study at one airport cannot be universally applied to any other airport. In the absence of any scientific study in respect of SVPIA in relation to FRoR, the Authority is not correct in universally applying the recommendations made under a study done by NIPFP on FRoR for Chennai and Kolkata airport. This view is also concurred in the recent DIAL Order i.e. Order dated 23<sup>rd</sup> April, 2018 passed by the Hon'ble Telecom Disputes Settlement & Appellate Tribunal, New Delhi in the case of Federation of Indian Airlines vs. Airport Economic Regulatory Authority of India & Ors. - AERA Appeal No. 6 of 2012 and Delhi International Airport Ltd. (DIAL) vs. Airport Economic Regulatory Authority of India & Ors. - Appeal No. 10 of 2012, dealing with the issue of fair rate of return on equity for Delhi Airport, it has been inter alia held that "...It is the duty of the regulator to scientifically and objectively ascertain how much is enough.." and "..In view of this position, it appears to us that fixation of 16% is based on hunch and not on scientific and objective calculation or analysis. We, therefore, direct the Authority to improve upon their estimation through scientific and objective approach in a transparent manner."

**Authority's examination of IATA's and FIA's comments**

12.9. The Authority has given careful consideration to the comments from IATA and FIA on



the FRoR. The Authority is yet to take a view on the normative capital structure. However, the Authority notes that while determining the FRoR for AAI in the 1<sup>st</sup> control period a normative capital structure has been assumed by the Authority. The Authority proposes to undertake a study to determine FRoR for major AAI airports. Further decision on the FRoR will be taken after considering the results of such study

***Comments from BAOA***

12.10. BAOA submitted that FROR of 14% should be standardized as a policy for all public airport operators and should also include GHAs to align with the compensation / consideration or fee paid for providing ground handling services at an airport payable to airport operator in addition to applicable land or space rentals. This becomes important after new GH policy issued by MoCA on 15 Dec 2017.

***Authority's examination of BAOA's comments***

12.11. With regards to BAOA's comment on FRoR, the Authority can take a decision only on SVPIA in this order.

12.12. Based on material and its analysis, the Authority decides to consider the FRoR at 14% for SVPIA for the 1<sup>st</sup> and 2<sup>nd</sup> control period.

**Decision No. 9. FRoR**

9.a. The Authority decides to consider the FRoR at 14% for SVPIA for the 1<sup>st</sup> and 2<sup>nd</sup> control period.

9.b. The Authority will undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.



### 13. Revenue from services other than aeronautical services

13.1. AAI had forecasted revenue from services other than aeronautical services as below:

Table 40 - Revenue from Non-aeronautical Services – Projected by AAI for 2<sup>nd</sup> control period

No.	Revenue from services other than Regulated Services (₹ crore)	2015-16 (base)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Restaurant / Snack Bars	5.4	6.0	6.6	7.2	7.9	9.5
2	T.R. Stall	4.9	5.4	5.9	6.5	7.2	8.6
3	Duty Free Shop	0.9	1.0	1.1	1.2	1.3	1.5
4	Hoarding & Display	10.2	11.2	12.3	13.5	14.9	17.9
5	Land Lease	9.6	10.3	11.1	11.9	12.8	13.8
6	Building Non-Residential	10.3	11.0	11.9	12.8	13.7	14.7
7	Porterage	8.6	9.4	10.4	11.4	12.5	13.8
8	Car Parking	0.5	0.5	0.6	0.7	0.7	0.9
9	Admission Tickets	1.8	2.0	2.2	2.4	2.6	3.1
10	Other Miscellaneous	3.9	4.1	4.3	4.6	4.8	5.0
11	Profit on sale of Assets / Scrap	0.1	-	-	-	-	-
12	Revenues from Interest Income	0.1	0.1	0.1	0.2	0.2	0.2
	<b>Total</b>	<b>56.3</b>	<b>61.1</b>	<b>66.4</b>	<b>72.3</b>	<b>78.7</b>	<b>89.1</b>

13.2. The growth rates assumed by AAI for forecasting non aeronautical revenues are given below:

Table 41 – Assumption (growth rates) for Service other than Regulated Services for the 2<sup>nd</sup> Control Period as per AAI

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
1	Restaurant / Snack Bars	10%	10%	10%	10%	20%
2	T.R. Stall	10%	10%	10%	10%	20%
3	Duty Free Shop	10%	10%	10%	10%	20%
4	Hoarding & Display	10%	10%	10%	10%	20%
5	Land Lease	7.5%	7.5%	7.5%	7.5%	7.5%
6	Building Non-Residential	7.5%	7.5%	7.5%	7.5%	7.5%
7	Porterage	10%	10%	10%	10%	10%
8	Car Parking	10%	10%	10%	10%	20%
9	Admission Tickets	10%	10%	10%	10%	20%
10	Other Miscellaneous	5%	5%	5%	5%	5%
11	Profit on sale of Assets / Scrap	-	-	-	-	-
12	Revenues from Interest Income	5%	5%	5%	5%	5%

#### Authority's Examination

13.3. The Authority noted that as part of clarifications provided dated 01.02.2018, AAI had





revised the growth rates to 10% during 2<sup>nd</sup> control period for revenues from all services other than regulated services except for land lease revenues (7.5%), other miscellaneous revenues (5%) and interest income (5%). AAI had proposed these growth rates based on the contractual agreements. The Authority had proposed to consider the revised growth rates as submitted by AAI dated 01.02.2018 for the determination of tariff for the 2<sup>nd</sup> control period as they are as per the contracts/ agreements signed or projected as per the contracts/ agreements to be signed in future with the service providers.

13.4. The Authority had proposed that non-aeronautical revenues 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 revenues. The Authority had proposed to accept the revenues from services other than regulated services as submitted by AAI except for adjustments as detailed below.

#### Adjustment of lease rentals

13.5. AAI had allotted following land to cargo, ground handling agencies and fuel companies for their operations. AAI had considered income from such land lease as non-aeronautical revenues.

Table 42 – Details of land allotted to cargo, ground handling and supply of fuel service providers in 2<sup>nd</sup> control period

Service	Service Provider	Land Allocated (Sq.m)	Land Lease revenues (FY 2015-16) ₹ crore
Cargo	Air India	143.6	0.16
Cargo	Indigo	252	0.28
Cargo	Jet Airways	355.3	0.39
Cargo	Spice Jet	107.3	0.12
Cargo	Vistara	25	0.03
Fuel	Reliance Industries Limited	3,160	0.78
Fuel	IOC	3,716	0.92
Fuel	BPCL	5,000	1.24
Ground Handling	Cambata Aviation	2,759	0.83
Ground Handling	GlobeGround India	200	0.06



Service	Service Provider	Land Allocated (Sq.m)	Land Lease revenues (FY 2015-16) ₹ crore
Ground Handling	Celebi Ground Handling Delhi Pvt.Ltd.	300	0.09

13.6. As discussed in Para 7.10, the Authority had proposed to include cargo revenues from 01.04.2016 till 31.03.2017 and had proposed to exclude them from 01.04.2017 till 31.03.2021 while determination of tariff in the second control period. Further, the Authority noted that there is no clarity on the revenue received by AAI from AAICLAS's cargo operations at SVPIA. Since, there is no clarity on the revenue sharing mechanism between AAI and AAICLAS, the Authority had proposed not to consider the potential revenue from cargo operations at this moment. The Authority will take a view on this while truing up in the 3<sup>rd</sup> control period based on the decisions taken by the AAI. The Authority may also make necessary assumptions regarding the revenue that should accrue to AAI in case the revenue share arrangement does not truly reflect the arms-length transaction between AAI and its subsidiary.

13.7. As per the provisions of the AERA Act, services rendered in respect of cargo, ground handling and fuel supply are aeronautical services.

13.8. The Authority noted that AAI in their submission dated 11.01.2017 have increased land lease rentals from cargo, ground handling agencies and oil companies by 7.5% per annum and had proposed to accept the same. The Authority noted that AAI had proposed to increase rent revenues from building non-residential for GH agencies by 10% as per their submission dated 01.02.2018 and had proposed to accept the same.

13.9. The Authority had considered lease and rent revenues from cargo, ground handling and fuel services as per AAI submissions dated 19.03.2018. The Authority had proposed to consider land lease revenues and building non-residential rent revenues on account of the aeronautical services of CGF as aeronautical revenue.

#### **Adjustment for increase in retail area**

13.10. The Authority observed that non-aeronautical revenue at SVPIA is low and expects AAI to utilize its resources better and maximize its non-aeronautical revenue to keep the aeronautical tariff down.



13.11. The Authority had proposed to consider non-aeronautical revenues as given below:

Table 43 – Adjustment to Revenue from Non-aeronautical Services considered by Authority for 2<sup>nd</sup> control period

Revenue from services other than Regulated Services (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Non-Aeronautical Revenues as per AAI (A)</b>	<b>61.1</b>	<b>66.4</b>	<b>72.3</b>	<b>78.7</b>	<b>89.1</b>
<b>Adjustment:</b>					
Change in revenue from cargo, ground handling and fuel services considered as aeronautical revenues and change in growth rates (B)	5.1	5.2	5.3	5.3	8.8
<b>Non-Aeronautical Revenues as per Authority (A-B)</b>	<b>56.0</b>	<b>61.2</b>	<b>67.0</b>	<b>73.3</b>	<b>80.2</b>

13.12. Based on the material before it and its analysis, the Authority proposed the following:

13.12.1. To consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue

13.12.2. To consider the Non Aeronautical Revenue as per Table 43

13.12.3. To true-up non-aeronautical revenues 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 revenues.

### **Stakeholders' comments and Authority's observations**

#### **Comments from IATA**

13.13. IATA submitted that we see positively the proposal 9.c. of the Consultation Paper No. 03/2018-19 as that will provide an incentive to airport to meet the non-aeronautical forecasts, rather than having the airport relying on true-ups should it fail to achieve them.

13.14. IATA is concern that it is seemingly difficult to obtain clarity on the revenue sharing mechanism between AAI and AAICLAS, and for this reason, the potential revenue from cargo operations has been excluded from the determination from 01.04.2017 to





31.03.2021. AAI need to demonstrate and assure that such an approach in setting up a subsidiary will not result in higher charges for the same level targeted efficiency.

**AAI's submission to IATA's comments**

13.15. AAI submitted that AAICLAS being a subsidiary of AAI would be submitting the tariff for Cargo from 01.04.2017 onwards. The revenue sharing mechanism between AAI & AAICLAS is yet to be finalised, which will be captured while truing up in the 3<sup>rd</sup> Control period.

**Authority's examination of IATA's comments and AAI's submission to IATA's comments**

13.16. The Authority has noted IATA's comment on non-aeronautical revenues.

13.17. Regarding cargo revenues from AAICLAS, to clarify, the Authority has not only excluded cargo revenues as per IATA's comments but also the corresponding cargo assets and operational expenditure for cargo activities from 01.04.2017 onwards. These would be considered in the separate tariff proposal for cargo activities from AAICLAS and while truing-up of the 2nd control period of SVPIA. To address IATA's comments, cargo services at SVPIA would continue to be regulated by the Authority as per the applicable guidelines but would be filed as a separate MYTP by AAICLAS.

13.18. Based on material and its analysis, the Authority decides to consider Non Aeronautical Revenue as per Table 43

**Decision No. 10. Non Aeronautical Revenues**

10.a. The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue.

10.b. The Authority decides to consider the Non Aeronautical Revenue as per Table 43

10.c. The Authority decides that non-aeronautical revenues 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 revenues.



#### 14. Operation and Maintenance Expenditure

14.1. Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into:

(i) Payroll expenses; (ii) Admin and General Expenditure; (iii) Repair and Maintenance Expenditure; (iv) Utilities and Outsourcing Expenditure; and (v) Other Outflows

14.2. Summary of aeronautical expenses proposed by AAI for 2<sup>nd</sup> control period is as below:

Table 44 - Summary of Aeronautical O&M expenditure as submitted by AAI for 2<sup>nd</sup> control period on Hybrid Till

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of SVPIA	27.7	38.8	42.2	45.9	49.9
2	Expenditure for SVPIA employees' retirement benefits allocated at CHQ	4.5	6.3	6.6	7.0	7.3
3	Common Expenses related to cargo, commercial and land	1.5	2.1	2.3	2.5	2.7
<b>A</b>	<b>Total Pay roll Expenditure (1+2-3)</b>	<b>30.7</b>	<b>42.9</b>	<b>46.5</b>	<b>50.3</b>	<b>54.5</b>
4	Administrative and General Expenditure	6.1	6.5	6.9	7.3	7.8
5	Apportionment of administration & General expenditure of CHQ/RHQ	17.1	17.9	18.8	19.8	20.8
<b>B</b>	<b>Total Administration &amp; General Expenditure(4+5)</b>	<b>23.2</b>	<b>24.4</b>	<b>25.7</b>	<b>27.1</b>	<b>28.5</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure (Total)</b>	<b>53.3</b>	<b>17.2</b>	<b>18.9</b>	<b>20.8</b>	<b>22.9</b>
6	Power Charges	23.4	23.4	23.4	23.4	23.4
7	Water Charges	0.5	0.5	0.5	0.6	0.6
8	Other expenses	-	-	-	-	-
<b>D</b>	<b>Utility and Outsourcing Expenditure (6+7+8)</b>	<b>23.9</b>	<b>23.9</b>	<b>23.9</b>	<b>24.0</b>	<b>24.0</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>
	<b>Total (A+B+C+D+E)</b>	<b>131.5</b>	<b>108.9</b>	<b>115.5</b>	<b>122.7</b>	<b>130.5</b>

14.3. The details of the assumptions made by AAI for O&M Expenditure are given below:

Table 45 – Assumptions made by AAI for each item of O&M expenditure

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
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No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
<b>1</b>	<b>Payroll Expenses*</b>					
	Salaries and Wages	9%	40%	9%	9%	9%
	Provident Fund Contributions	9%	40%	9%	9%	9%
	Medical Expenses	9%	40%	9%	9%	9%
	Overtime	5%	40%	5%	5%	5%
	Apportionment of CHQ/RHQ expenses	5%	40%	5%	5%	5%
<b>2</b>	<b>R&amp;M Expenses</b>	10%	10%	10%	10%	10%
<b>3</b>	<b>Utility and outsourcing Expenditure</b>					
	Power Charges	3%	0%	0%	0%	0%
	Water Charges	5%	5%	5%	5%	5%
<b>4</b>	<b>Administration and General Expenditure</b>					
	Admin & General Expenses	7%	6%	6%	6%	6%
	Apportionment of CHQ/RHQ Expenses	5%	5%	5%	5%	5%
<b>5</b>	<b>Other Outflows</b>					
	Consumption of POL	10%	10%	10%	10%	10%
	Consumption of Other Consumables	10%	10%	10%	10%	10%

\* Higher growth rate for increase in Payroll costs in FY 2017-18 is due to 7<sup>th</sup> Pay Commission revision

14.4. AAI had segregated total O&M expenditure for the 2<sup>nd</sup> control period into aeronautical expenses, non-aeronautical expenses, and common expenses. Common expenses in turn had been allocated between aeronautical and non-aeronautical services. AAI had not considered O&M expenses related to cargo services as part of MYTP submission for 2<sup>nd</sup> control period.

14.5. Expense allocation as submitted by AAI for 2<sup>nd</sup> control period is tabulated below:

Table 46 – O&M Expense allocation as submitted by AAI

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	98%	2%
2	Payroll Retirement benefit expenses Apportionment – CHQ	100%	0%
3	Admin and General Expenses – Non CHQ	97%	3%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	100%	0%
5	R&M Expenses	93%	7%
6	Utility and Outsourcing Charges	100%	0%
7	Other Outflows	70%	30%
	<b>Total</b>	<b>98%</b>	<b>2%</b>





### **Authority's Examination**

14.6. The Authority considered the operating expenses and their projections submitted by AAI and noted the following.

#### **Forecasting of payroll expenses**

14.6.1. The Authority noted that payroll costs components – Salaries and Wages, medical benefits and PF contribution have been increased by AAI at the growth rate of 9% annually for 2<sup>nd</sup> control period except for FY 2017-18. These growth rates appear to be on a higher side. The Authority had proposed growth rate of 7% in FY 2016-17 for the above payroll components. However, the Authority had proposed a growth rate of 5% for FY 2018-19, FY 2019-20 and FY 2020-21.

14.6.2. The Authority had noted that an increase of 40% had been projected in the pay roll expenditure by AAI in FY 2017-18 due to tentative increase in salary and wages on account of wage revision. AAI had submitted as on 19.01.2018 that Ministry of Civil Aviation has approved the pay revision for executives and non-executives w.e.f. 01.01.2017 and the impact of pay revision is 37.16% for typical middle level executive. The Authority had proposed to consider an increase of 37.16% for projection of payroll expenditure for FY 2017-2018, which is consistent to the approach adopted by the Authority for finalizing tariffs of Guwahati Airport and Lucknow Airport for 2<sup>nd</sup> Control Period.

14.6.3. The Authority noted that expenditure on overtime and apportionment of retirement benefits provided to CHQ in respect of SVPIA employees is increased at 5% annually for 2<sup>nd</sup> control period which is different from the 7% for the above mentioned payroll components. The Authority had proposed to apply the same growth rate of 7% in FY 2016-17 and 5% from FY 2018-19 onwards except for FY 2017-18 for expenditure on overtime and apportionment of retirement benefits provided to CHQ in respect of SVPIA employees (as per discussion with AAI).

14.6.4. AAI had submitted apportionment of CHQ/RHQ expenses on cost basis. The Authority had proposed to adopt CHQ/RHQ overheads apportionment for the 2<sup>nd</sup> control period based on actual revenue basis data provided by AAI. The



Authority had proposed to increase CHQ/RHQ overheads apportionment costs (admin & general expenditure of CHQ/RHQ) by 5% per annum for the 2<sup>nd</sup> control period as submitted by AAI.

#### **Segregation of aeronautical expenses**

- 14.7. The Authority noted that the Payroll Costs in the operational expenditure have been allocated using percentage of employees for aeronautical services to total employees which is 98%. To account for common service employees handling both aeronautical and non-aeronautical activities, the Authority had proposed to use ratio of 95% to 5% for allocation of payroll costs to aeronautical component.
- 14.8. The Authority noted that apportionment of retirement benefits provided in CHQ in respect of SVPIA and apportionment of admin CHQ expenses have been considered as 100% aeronautical expenses. The Authority had proposed to use the ratio of 90% to 10% for aeronautical and non-aeronautical allocation for apportionment of admin CHQ/RHQ expenses after excluding cargo employees' costs on revenue basis. The Authority had proposed to use the ratio of 95% to 5% for aeronautical and non-aeronautical allocation for retirement benefits provided at CHQ in respect of employees at SVPIA.
- 14.9. The Authority noted that the expenses related to vehicles such as R&M – Vehicles have been considered 100% aeronautical expense. The Authority had proposed to allocate aforementioned expenses using employee ratio into aeronautical and non-aeronautical expenses.
- 14.10. Terminal Area ratio for calculation of aeronautical assets is proposed as 92.5%. This ratio has been applied to specific expenses in upkeep expenses, R&M – Civil, R&M – Electrical, water charges and consumption of stores & consumables.
- 14.11. The Authority also noted that cargo expenses have not been included as part of MYTP calculations and requested clarifications from AAI for the same. As noted in Para 7.10, the Authority had proposed to consider expenses related to cargo for CHQ/RHQ overheads from 01.04.2016 till 31.03.2017 and had proposed to exclude them from 01.04.2017 till 31.03.2021. Further, the Authority will review its decision while truing up in the 3<sup>rd</sup> control period based on the decisions taken by the AAI.



14.12. The Authority noted that AAI vide its submission dated 11.01.2017 have increased Power expenses by 3% in FY 2016-17 and water charges by 5% during the 2<sup>nd</sup> control period. The Authority requested for clarification for proposed increase in power and utility expenses. As per clarification provided by AAI dated 16.02.2018, AAI submitted that no increase has been taken into account from the year FY 2017-18. Same rate of ₹ 9.29 per unit has been taken as power charges till FY 2020-21. Also, water charges should be constant as per policy adopted for all airports and the same may be corrected by the Authority. The Authority accordingly had proposed not to consider any increase in power and water charges in line the orders issued for other AAI major airports for 2<sup>nd</sup> control period.

#### **Correction in projection**

14.13. The Authority noted that AAI had considered ANS related expenses for collection charges (₹ 21.2 lakhs), R&M other building (₹ 4.7 lakhs) and R&M Sec equipment (₹ 12.6 lakhs) in TB for FY 2015-16. The Authority had proposed to exclude ANS related expenses from aeronautical expenses.

14.14. The Authority noted that AAI had increased R&M civil O&M costs by ₹ 38 crores in FY 2016-17. AAI submitted that the amount added to R&M civil are for runway re-carpeting work. The Authority had noted AAI's submission on runway re-carpeting. The Authority had assumed 5 years as the life for the expenditure on the runway re-carpeting and had proposed to amortize the total amount of runway re-carpeting expenditure of ₹ 38 crores equally over the 5 years, that is, FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21.

14.15. AAI vide submissions dated 24.03.2018 provided revised AOCC and MESS expenses for the 2<sup>nd</sup> control period.

14.15.1. AAI had submitted that AOCC expenses is ₹ 312 lakhs for the FY 2015-16 whereas only ₹ 119.89 lakhs has been shown in FY 2015-16. The balance amount of ₹ 192.11 lakhs may be included in AOCC expenses for FY 2016-17. In addition, AAI submitted revised AOCC expenses and R&M electronics expenses other than AOCC expenses for 2<sup>nd</sup> control period. The Authority had proposed to revise R&M electronics expenses including AOCC expenses as per AAI





submission dated 24.03.2018.

14.15.2. AAI submitted that the new contract for MESS (Mechanized Environment Support Services) would be ₹ 2162.20 lakhs for three years effective from 01.04.2018. The per annum cost would be ₹ 720.73 lakhs. MESS actual expenses are provided for the year FY 2018-19 to FY 2020-21 as per new contract. 10% increase has been considered for the year FY 2016-17 and FY 2017-18 for MESS. 5% increase has been considered for other Misc. expenses the year FY 2016-17 onwards. The Authority accordingly had proposed to revise MESS expenses based on terminal area ratio of 92.5% for calculation of aeronautical expenses and revise total other Misc. expenses as per AAI submission dated 24.03.2018.

14.16. The O&M expenditure for FY2015-16 which includes both aeronautical and non-aeronautical expense is given in the table below:

Table 47 – Total O&M expenditure for FY 2015-16 as decided by the Authority

No.	Particulars (₹ crore)	2015-16
1	Pay roll Expenditure of SVPIA	26.0
2	Expenditure for SVPIA employees' retirement benefits allocated at CHQ	4.3
3	Less - Common Expenses related to cargo, commercial and land	2.2
<b>A</b>	<b>Total Pay roll Expenditure (1+2-3)</b>	<b>28.1</b>
4	Administrative and General Expenditure	5.6
5	Apportionment of administration & General expenditure of CHQ/RHQ	13.9
<b>B</b>	<b>Total Administration &amp; General Expenditure(4+5)</b>	<b>19.6</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure (Total)</b>	<b>14.9</b>
6	Power Charges	22.8
7	Water Charges	0.5
<b>D</b>	<b>Utility and Outsourcing Expenditure (6+7+8)</b>	<b>23.3</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.5</b>
	<b>Total (A+B+C+D+E)</b>	<b>86.4</b>

14.17. Expense allocation to be considered by the Authority after above changes for 2<sup>nd</sup> control period is tabulated below:

Table 48 – Expense allocation between aeronautical and non-aeronautical services decided by the Authority



Sr. No.	Particulars	Aero Expense	Non-Aero and Cargo Expenses
1	Payroll Expenses - Non-CHQ	95%	5%
2	Payroll Retirement benefit expenses Apportionment – CHQ	95%	5%
3	Admin and General Expenses – Non CHQ	97%	3%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	86%	14%
5	R&M Expenses	91%	9%
6	Utility and Outsourcing Charges	100%	0%
7	Other Outflows	66%	34%
	<b>Total</b>	<b>95%</b>	<b>5%</b>

14.18. In view of above, the O&M expenditure is reworked for the purpose of determination of aeronautical tariffs for the 2<sup>nd</sup> control period under Hybrid Till and given in table below.

Table 49 - Summary of Aeronautical O&M expenditure as per the Authority for the 2<sup>nd</sup> control period as per Hybrid Till

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of SVPIA	26.4	36.2	38.0	39.9	41.9
2	Expenditure for SVPIA employees' retirement benefits allocated at CHQ	4.4	6.0	6.3	6.6	6.9
3	Less - Common Expenses related to ANS	2.2	3.0	3.1	3.3	3.5
<b>A</b>	<b>Total Pay roll Expenditure (1+2-3)</b>	<b>28.6</b>	<b>39.2</b>	<b>41.2</b>	<b>43.2</b>	<b>45.4</b>
4	Administrative and General Expenditure	5.9	6.4	10.9	11.2	11.5
5	Apportionment of administration & General expenditure of CHQ/RHQ	13.3	13.2	13.8	14.5	15.2
<b>B</b>	<b>Total Administration &amp; General Expenditure(4+5)</b>	<b>19.1</b>	<b>19.5</b>	<b>24.7</b>	<b>25.7</b>	<b>26.7</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure (Total)</b>	<b>24.8</b>	<b>24.2</b>	<b>25.7</b>	<b>27.3</b>	<b>27.8</b>
6	Power Charges	22.8	22.8	22.8	22.8	22.8
7	Water Charges	0.4	0.4	0.4	0.4	0.4
<b>D</b>	<b>Utility and Outsourcing Expenditure (6+7+8)</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>
	<b>Total (A+B+C+D+E)</b>	<b>96.1</b>	<b>106.6</b>	<b>115.2</b>	<b>120.0</b>	<b>123.8</b>



14.19. It appears that O&M expenditure at SVPIA is on higher side and expects AAI to reduce the O&M expenditure over a period of time.

14.20. Based on the material before it and its analysis, the Authority had proposed the following:

14.20.1. To consider the operational and maintenance expenditure as given in Table 49 above, for the purpose of determination of aeronautical tariffs for the 2<sup>nd</sup> control period

14.20.2. That AAI should endeavour to reduce O&M expenditure over a period of time

14.20.3. To true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the 2<sup>nd</sup> control period based on the actuals at the time of determination of tariffs for the 3<sup>rd</sup> control period

14.20.4. To consider following factors for corrections while determining tariffs for the next control period:

14.20.5. Mandated cost incurred due to directions issued by regulatory agencies like DGCA;

14.20.6. Cost of actual operating expenses including electricity;

14.20.7. All statutory levies in the nature of fees, levies, taxes and other such 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. Any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up.

### ***Stakeholders' comments and Authority's observations***

#### ***Comments from IATA***

14.21. IATA submitted that while we see that AERA is adopting lower rates than those proposed by AAI (5% instead of 9%), we believe that AERA should be carrying out a study to determine the efficiency levels of the operating costs at the airport, as that would determine the scope for efficiency targets. This is of particular importance since





AERA mentions that operating costs are on the high side. In this regard, we believe that AERA proposal 10.c. should be modified so that the true up should be subject a scrutiny of costs, rather than solely truing up on the basis of actual costs.

***Authority's examination of IATA's comments***

14.22. The Authority has noted IATA's comments on the scrutiny of operational expenditure. The Authority decides to undertake an independent study to assess the reasonableness of the operation and maintenance expenditure. The Authority would consider the results of the study to true-up the operation and maintenance expenditure while undertaking tariff determination for the 3<sup>rd</sup> control period.

***AAI's submission on Operation and Maintenance Expenditure***

14.23. Regarding expenses allocation between aeronautical and non-aeronautical services, AAI submitted that –

14.23.1. AERA has allocated payroll retirement benefit expenses in the ration of 92% & 8% as Aero and Non-Aero whereas in the Consultation Paper Table 41 AERA has proposed 95% & 5% as Aero and Non-aero.

14.23.2. Further, AERA has allocated Admin and General Overheads expenses in the ratio of 86% & 14% as Aero and Non-Aero whereas the apportionment of overhead in to Aero and Non-Aero in other Airports have been considered as 90% to 10% for all the Airports.

***Authority's examination of AAI's submission***

14.24. With respect to AAI's submission regarding allocation of payroll related retirement benefit expenses, the Authority is of the view that the payroll retirement benefit expenses are allocated based on ratio of 95% towards aeronautical component.

14.25. With respect to AAI's submission regarding allocation of admin and general overheads expenses, the Authority is of the view that since the admin & general overheads of CHQ/RHQ are allocated based on ratio of 90% towards aeronautical component after excluding cargo revenue related component from admin & general overheads, the resultant allocation ratio is 86% post exclusion of cargo revenue related component.



14.26. Based on material and its analysis, the Authority decides to consider operational and maintenance expenditure towards aeronautical services as given in Table 49.

**Decision No. 11. Operation and Maintenance expenditure**

11.a. The Authority decides to consider the operational and maintenance expenditure as given in Table 49 above, for the purpose of determination of aeronautical tariffs for the 2<sup>nd</sup> control period.

11.b. The Authority expects AAI to reduce O&M expenditure over a period of time.

11.c. The Authority decides to true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the 2<sup>nd</sup> control period based on the actuals at the time of determination of tariffs for the 3<sup>rd</sup> control period.

11.d. 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 other such 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. Any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up.



## 15. Taxation

15.1. AAI had submitted tax calculations using provisional tax rate of 34.60% for the 2<sup>nd</sup> control period. AAI had calculated the tax considering depreciation rates applicable under AAI depreciation policy.

### **Authority's Examination**

#### **Adjustment for 30% of non-aeronautical revenues**

15.2. AAI vide their submissions dated 11.01.2017 calculated tax for aeronautical services under Hybrid Till taking into account 30% of revenues from services other than regulated services as part of total revenues. As per MIAL Order No. 32/2012-13 (Decision No. XV), the Authority had decided to consider corporate tax pertaining to earnings from aeronautical services under Shared Till. Therefore, the Authority had proposed to exclude non-aeronautical component from revenues considered while determining tax for aeronautical services.

#### **Adjustment of aeronautical capital expenditure**

15.3. The Authority had proposed to consider aeronautical capital expenditure of ₹ 261.6 crores as given in Table 30 while calculating depreciation as per IT Act in Consultation Paper No. 03/2018-19.

#### **Adjustment of O&M Expenses**

15.4. The Authority had proposed to consider O&M expenses as given in Table 49 except for R&M expenses. The Authority had considered the R&M expenses for runway re-carpeting as per actual cash outflow in FY 2016-17 for the purposes of calculation of tax for aeronautical services.

#### **Adjustment of aeronautical revenues on account of CGF lease and rent correction**

15.5. The Authority had proposed to modify total aeronautical revenues considering lease rentals from CGF as aeronautical as mentioned in Para 13.9.

#### **Continuation of existing tariffs in FY 2016-17 and FY 2017-18**

15.6. The Authority had proposed to consider existing tariffs while calculating aeronautical revenues for FY 2016-17 and FY 2017-2018 as the revised tariffs as submitted by AAI are proposed to be applicable from 01.06.2018 onwards in Consultation Paper No.





03/2018-19.

### Revised Tax as considered by the Authority

15.7. The amount of tax as per submission of AAI and that arrived by the Authority after considering the above mentioned changes for the Consultation Paper No. 03/2018-19 is given below:

Table 50 - Amount of Tax for aeronautical services as per AAI submission and as calculated by the Authority for the 2<sup>nd</sup> control period in the Consultation Paper

Income Tax (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As per AAI	0.0	32.9	43.8	55.7	65.1	197.5
As per Authority	10.2	29.8	4.8	1.6	1.5	48.0

15.8. The detailed calculation of tax for aeronautical service by the Authority for Consultation Paper is given in table below:

Table 51 - Amount of Tax for aeronautical services as calculated by the Authority for the 2<sup>nd</sup> control period in the Consultation Paper

Particular (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Aeronautical Revenues	182.3	210.0	146.7	142.0	156.4
Aeronautical O&M (excluding CHQ/ RHQ Overheads)	108.9	79.9	87.6	91.3	94.0
CHQ/ RHQ Overheads	17.6	19.1	20.1	21.1	22.2
Depreciation as per IT Act	26.2	24.8	25.1	25.0	35.8
PBT	29.5	86.2	14.0	4.6	4.4
<b>Tax for aeronautical services</b>	<b>10.2</b>	<b>29.8</b>	<b>4.8</b>	<b>1.6</b>	<b>1.5</b>

15.9. The taxes actually paid/ apportioned in the 2<sup>nd</sup> control period are proposed to be tried up after review in the next control period.

15.10. The Authority noted that the tax has been determined by applying a provisional tax rate.

### Stakeholders' comments and Authority's observations

#### Comments from IATA

15.11. IATA commented that it would be important to note that the low geared (suboptimal) capital structure of AAI will end up in unnecessarily high tax calculations. Interest expenses are normally a tax-deductible expense.



### ***Authority's examination of IATA's comments***

15.12. The Authority has noted IATA's comment on impact of low gearing on taxes of SVPIA.

15.13. The Authority proposes to undertake a study to determine FRoR for major AAI airports given low gearing of AAI airports. Further decision on the FRoR and gearing will be taken after considering the results of such study. The Authority is also of the view that in AAI will have to resort to more debt financing to fund its future capital additions and therefore the debt to equity ratio will go up in future for AAI.

### ***Comments from FIA***

15.14. Regarding the corporate tax considered for ARR calculation, FIA submitted that while comparing Aeronautical Corporate Tax between Table 19 of the Addendum (ARR proposed by AERA in the earlier Consultation Paper No. 03/2018-19) & Table 20 of the Addendum (Revised ARR in the Addendum) revised from FY 2018-19 onwards, there is significant increase in the tax component, indicating higher aeronautical revenues. However, AAI and Authority have shown lower/decline in traffic growth, which imply lowering of aeronautical revenues. Accordingly, FIA humbly submits that table on the computation of ARR should be revisited/reviewed in light of suitable traffic growth projections. Further, if there is an increase in Aeronautical revenue there should also be an increase in non-aeronautical revenue, which is not reflected.

### ***AAI's submission to FIA's comments***

15.15. AAI submitted that the increase in the tax component is due to revised ARR which has increased due to capex projected and consequently higher projected revenue.

### ***Authority's examination of FIA's comments and AAI's submission to FIA's comments***

15.16. The Authority notes FIA's comment related to increase in Corporate Tax towards ARR calculation. During the stakeholder consultation meeting held on 11.05.2018, AAI has proposed additional capital expenditure of ₹ 111.6 crore and submitted revised tariff card.

15.17. The Authority notes that the additional capital expenditure proposed by AAI has resulted in additional RAB and additional depreciation resulting in increase in ARR and in turn aeronautical revenues for 2<sup>nd</sup> control period. Increase / decrease in traffic



growth impacts the yield per passenger as the Authority caps airport tariffs at a level where revenue generated through approved tariffs is equal to the permissible ARR for the Airport Operator.

15.18. Hence, the Authority decides to consider additional capital expenditure and revised tariff card as proposed by AAI during the stakeholder consultation meeting and accordingly revise the tax for aeronautical services for 2<sup>nd</sup> Control Period.

Table 52 - Amount of Tax for aeronautical services as per AAI submission and as calculated by the Authority for the 2<sup>nd</sup> control period in the Order

Income Tax (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As per AAI	0.0	32.9	43.8	55.7	65.1	197.5
As per Authority	10.2	29.1	11.5	2.9	4.0	57.8

Table 53 - Amount of Tax for aeronautical services as calculated by the Authority for the 2<sup>nd</sup> control period in the Order

Particular (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Aeronautical Revenues	182.3	208.2	174.4	161.0	176.7
Aeronautical O&M (excluding CHQ/ RHQ Overheads)	108.9	79.9	87.6	91.3	94.0
CHQ/ RHQ Overheads	17.6	19.1	20.1	21.1	22.2
Depreciation as per IT Act	26.2	25.0	33.5	40.3	48.9
PBT	29.5	84.2	33.3	8.3	11.6
<b>Tax for aeronautical services</b>	<b>10.2</b>	<b>29.1</b>	<b>11.5</b>	<b>2.9</b>	<b>4.0</b>

#### Decision No. 12. Taxation

12.a. The Authority decides the corporate tax for aeronautical activities as per Table 53 for the 2<sup>nd</sup> control period.

12.b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2<sup>nd</sup> control period during determination of tariffs for the 3<sup>rd</sup> control period.





## 16. Aggregate Revenue Requirement for Second control period

16.1. AAI had submitted Aggregate Revenue Requirement (ARR) the yield per passenger (YPP) for the 2<sup>nd</sup> control period as per Hybrid Till. AAI had shown the true-up value separately from yield calculations for 2<sup>nd</sup> control period. During discussions, AAI had requested for including true-up while calculating tariff for 2<sup>nd</sup> control period.

Table 54 - ARR and Yield as per AAI for the 2<sup>nd</sup> control period – Hybrid Till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	163.0	132.4	98.0	105.6	125.4
Return on Average Aeronautical RAB@14%	22.8	18.5	13.7	14.8	17.6
Aeronautical Operating Expenditure	131.5	108.9	115.5	122.7	130.5
Depreciation on aeronautical RAB	41.9	36.3	32.6	30.8	32.0
Aeronautical Corporate Tax @34.60%	0.0	32.9	43.8	55.7	65.1
Less- 30% of Non-Aeronautical Revenues	18.3	19.9	21.7	23.6	26.7
<b>ARR as per AAI</b>	<b>177.9</b>	<b>176.6</b>	<b>183.9</b>	<b>200.4</b>	<b>218.5</b>
<b>Total ARR as per AAI</b>					<b>957.4</b>
No. of Passengers (as per Actual/Projected)	7,383,207	8,215,640	9,145,433	10,184,440	11,346,016
<b>Discounted ARR</b>	<b>177.9</b>	<b>154.9</b>	<b>141.5</b>	<b>135.3</b>	<b>129.4</b>
True up short fall in 1 <sup>st</sup> control period as on 01.04.2016	200.1				
PV of ARR for the 2 <sup>nd</sup> control period as on 01.04.2016					939.1
Total Passengers during the control period					46,274,736
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)					202.9

### Authority's examination

16.2. The Authority has examined the calculations of AAI for various elements of the regulatory building blocks that contribute to the calculation of ARR.

16.3. The Authority noticed that present value calculation of ARR as per AAI submission is not done correctly. AAI vide its submission on 16.02.2018 proposed the Authority to do the required rectification on its end.



16.4. The Authority has estimated the following ARR and yield for the 2<sup>nd</sup> control period under Hybrid Till based on various submissions of AAI and proposals considered by Authority in earlier sections on the building blocks.

Table 55 - ARR and Yield as per Authority for the 2<sup>nd</sup> control period – Hybrid Till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	290.0	276.8	324.5	364.5	426.0
Return on Average Aeronautical RAB@14%	40.6	38.8	45.4	51.0	59.6
Aeronautical Operating Expenditure	96.1	106.6	115.2	120.0	123.8
Depreciation on aeronautical RAB	26.6	27.3	33.8	37.4	39.6
Aeronautical Corporate Tax @34.6%	10.2	29.1	11.5	2.9	4.0
Less – 30% of Non-Aeronautical Revenues	16.8	18.4	20.1	22.0	24.1
True up short fall in 1 <sup>st</sup> control period as on 01.04.2016	3.6				
<b>ARR as per Authority</b>	<b>160.3</b>	<b>183.5</b>	<b>185.9</b>	<b>189.2</b>	<b>203.0</b>
<b>Total ARR as per Authority</b>					<b>921.9</b>
<b>Discounted ARR</b>	<b>160.3</b>	<b>160.9</b>	<b>143.1</b>	<b>127.7</b>	<b>120.2</b>
<b>PV of ARR for the control period as on 01.04.2016</b>					<b>712.2</b>
No. of Passengers (as per Projected)	7,405,282	9,174,425	10,319,540	11,608,806	13,060,502
<b>Total Passengers during the control period</b>					<b>51,568,555</b>
<b>Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)</b>					<b>138.1</b>
Target yield per pax	168.0	175.1	182.4	190.1	198.0
Target Aeronautical Revenues	124.4	160.6	188.2	220.6	258.6
<b>PV of Target Aeronautical Revenues</b>					<b>712.2</b>



## 17. Annual Tariff Proposal

17.1. AAI had submitted ATP for FY 2017-18 and provided growth rates from FY 2018-19 onwards.

17.2. AAI had submitted the revision in tariff w.e.f. 01.04.2017 till 31.03.2021.

17.3. Accordingly AAI had submitted the ATP(s) for 2<sup>nd</sup> control period in respect of SVPIA.

### Authority's Examination

17.4. As discussed in Para 7.10, the Authority decides to include cargo revenues from 01.04.2016 till 31.03.2017 and exclude them from 01.04.2017 till 31.03.2021 in the second control period. Further, the Authority notes that there is no clarity on the revenue received by AAI from AAICLAS's cargo operations at SVPIA. Since there is no clarity on the revenue sharing mechanism between AAI and AAICLAS, the Authority decides not to consider the potential revenue from cargo operations at this moment. The Authority will take a view on this while truing up in the 3<sup>rd</sup> control period based on the decisions taken by the AAI. The Authority may also make necessary assumptions regarding the revenue that should accrue to AAI in case the revenue share arrangement does not truly reflect the arms-length transaction between AAI and its subsidiary.

17.5. The Authority noted that if the existing tariffs applicable at SVPIA were not changed for the second control period, there will be a surplus of ₹ 152.8 crore vis-à-vis ARR. The excess can either be reduced by decreasing various aeronautical charges such as Landing, Parking & Housing and fuel throughput or decreasing UDF/ PSF (F) or both the aeronautical and UDF/ PSF. However, AAI had proposed revised tariff card as part of MYTP proposal dated 11.01.2017. With the revised tariffs as proposed by AAI dated 11.01.2017, there was aeronautical revenue surplus of ₹ 209.7 crore available vis-à-vis ARR. AAI had proposed the revised UDF of ₹ 200 per departing domestic passenger and ₹ 500 per departing international passenger as given in Table 57.





Table 56 - Projected Revenue, Target Revenue and shortfall/ excess based on AAI proposed tariffs for the 2<sup>nd</sup> control period applicable from 01.06.2018 in the Consultation Paper

Projected Aero Revenue based on AAI proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing (A)	54.4	67.2	94.0	112.2	128.6
Parking and Housing (B)	0.4	0.6	1.2	1.4	1.6
UDF/PSF as per existing rates (C)	96.5	113.9	129.6	147.5	167.9
FTP+ITP and lease rentals (D)	4.5	4.9	5.4	6.0	6.6
Ground Handling Charges and lease rentals (E)	14.1	18.3	20.0	21.9	24.0
CUTE (F)	4.1	5.1	5.8	6.6	7.5
Cargo (G)	8.2	0.0	0.0	0.0	0.0
<b>Total Projected Revenues without increased UDF proposed by AAI (H = A+B+C+D+E+F+G)</b>	<b>182.3</b>	<b>210.0</b>	<b>256.0</b>	<b>295.7</b>	<b>336.2</b>
<b>Target Aero Revenue</b>	<b>132.6</b>	<b>171.8</b>	<b>203.1</b>	<b>240.0</b>	<b>283.7</b>
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	49.7	38.2	53.0	55.6	52.4
<b>PV value of shortfall (-)/ excess (+) as on 01.04.2016 with Discount rate (14.00%)</b>	<b>49.7</b>	<b>33.5</b>	<b>40.8</b>	<b>37.5</b>	<b>31.0</b>
<b>Total PV of shortfall (-)/ excess (+) as on 01.04.2016 for the control period</b>	<b>192.6</b>				
UDF with revised rates proposed by AAI (I)	96.5	113.9	134.8	160.8	190.2
<b>Total Projected Revenues with increased UDF (J = H-C+I)</b>	<b>182.3</b>	<b>210.0</b>	<b>261.3</b>	<b>308.9</b>	<b>358.4</b>
<b>Target Aero Revenue</b>	<b>134.1</b>	<b>173.8</b>	<b>205.5</b>	<b>242.9</b>	<b>287.1</b>
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	48.1	36.2	55.8	66.1	71.4
<b>PV value of shortfall (-)/ excess (+) as on 01.04.2016 with Discount rate (14.00%)</b>	<b>48.1</b>	<b>31.7</b>	<b>42.9</b>	<b>44.6</b>	<b>42.3</b>
<b>Total PV of shortfall (-)/ excess (+) as on 01.04.2016 for the control period</b>	<b>209.7</b>				

17.6. Hence, the Authority had proposed to reduce the UDF as proposed by AAI such that



the ARR is recovered through the revised tariffs and revised UDF. Accordingly, the UDF per departing passenger for domestic and international passengers and other aeronautical tariffs had been revised as per Table 57 to be applicable from 01.06.2018 in Consultation Paper No. 03/2018-19.

17.7. The revised tariffs as applicable from 01.06.2018 as submitted by AAI and as proposed by the Authority in Consultation Paper No. 03/2018-19 are given in table below:

Table 57 - Revised aeronautical tariffs as submitted by AAI and as proposed by the Authority in the Consultation Paper

Particular	Existing Tariff	Revised tariff by AAI as part of MYTP submission	Revised tariff proposed by Authority in the Consultation Paper No. 03/2018-19
<b>Rate per landing - International Flight</b>			
Up to 10 MT	₹ 122.1 Per MT		
Above 10 MT up to 20 MT	₹ 1,221 + ₹ 179.3 per MT in excess of 10 MT		
Above 20 MT up to 50 MT	₹ 3,014 + ₹ 354.2 per MT in excess of 20 MT		
Above 50 MT up to 100 MT	₹ 13,640 + ₹ 413.6 per MT in excess of 50 MT		
Above 100 MT	₹ 34,320 + ₹ 471.9 per MT in excess of 100 MT		
Up to 25 MT		₹ 240 per MT	₹ 240 per MT
Above 25 MT up to 50 MT		₹ 6,000 + ₹ 450 per MT in excess of 25 MT	₹ 6,000 + ₹ 450 per MT in excess of 25 MT
Above 50 MT up to 100 MT		₹ 17,250 + ₹ 520 per MT in excess of 50 MT	₹ 17,250 + ₹ 520 per MT in excess of 50 MT
Above 100 MT up to 200 MT		₹ 43,250 + ₹ 600 per MT in excess of 100 MT	₹ 43,250 + ₹ 600 per MT in excess of 100 MT
Above 200 MT		₹ 1,03,250 + ₹ 720 per MT in excess of 200 MT	₹ 1,03,250 + ₹ 720 per MT in excess of





Particular	Existing Tariff	Revised tariff by AAI as part of MYTP submission	Revised tariff proposed by Authority in the Consultation Paper No. 03/2018-19
			200 MT
<b>Rate per Landing - Domestic Flight</b>			
Up to 10 MT	₹ 67.1 Per MT		
Above 10 MT up to 20 MT	₹ 671 + ₹ 117.7 per MT in excess of 10 MT		
Above 20 MT	₹ 1,848 + ₹ 231 per MT in excess of 20 MT		
Up to 25 MT		₹ 160 per MT	₹ 160 per MT
Above 25 MT up to 50 MT		₹ 4,000 + ₹ 280 per MT in excess of 25 MT	₹ 4,000 + ₹ 275 per MT in excess of 25 MT
Above 50 MT up to 100		₹ 11,000 + ₹ 320 per MT in excess of 50 MT	₹ 10,875 + ₹ 315 per MT in excess of 50 MT
Above 100 MT up to 200 MT		₹ 27,000 + ₹ 390 per MT in excess of 100 MT	₹ 26,625 + ₹ 380 per MT in excess of 100 MT
Above 200 MT		₹ 66,000 + ₹ 440 per MT in excess of 200 MT	₹ 64,625 + ₹ 430 per MT in excess of 200 MT
<b>Housing Charges</b>			
Up to 40 MT	₹ 3.5 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 140 + ₹ 6.8 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 548 + ₹ 10.3 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 6 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100		₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT





Particular	Existing Tariff	Revised tariff by AAI as part of MYTP submission	Revised tariff proposed by Authority in the Consultation Paper No. 03/2018-19
Above 100 MT up to 200 MT		₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT
<b>Parking Charges</b>			
Up to 40 MT	₹ 1.8 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 72 + ₹ 3.4 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 276 + ₹ 5.2 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 3 Per Hour Per MT	₹ 3 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT
Above 50 MT up to 100		₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT
Above 100 MT up to 200 MT		₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT
<b>Throughput Charges</b>			
Rate per KL	₹ 112.1	₹ 117.7	₹ 112.1
<b>Passenger Service Fee (PSF) – Facilitation</b>			
Domestic Passenger (per embarking passenger)	₹ 77	Nil	Nil
International Passenger (per embarking passenger)	₹ 77	Nil	Nil
<b>User Development Fee (UDF)</b>			



Particular	Existing Tariff	Revised tariff by AAI as part of MYTP submission	Revised tariff proposed by Authority in the Consultation Paper No. 03/2018-19
Domestic Passenger (per embarking passenger)	₹ 110	₹ 200	₹ 0
International Passenger (per embarking passenger)	₹ 415	₹ 500	₹ 0
<b>Passenger Service Fee (PSF) – Security*</b>			
Domestic Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25
International Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25

\* PSF-Security Fee is applicable as determined by MoCA from time to time

17.8. The Authority had noted from the proposed tariffs in the Consultation Paper No. 03/2018-19 to be applicable from 01.06.2018 that:

17.8.1. UDF charges per domestic and international passenger had been made NIL

17.8.2. Domestic landing charges have been increased by approximately 31% and international landing charges have been increased by approximately 29% from the existing charges.

17.8.3. Parking and housing landing charges are increased by approximately 114% from the existing charges

17.8.4. Fuel throughput charges are kept constant as per the existing charges

17.8.5. The exact rates were specified in the tariff card published in the Consultation Paper.

17.9. Additionally, the Authority had proposed not to accept the increase in tariffs as submitted by AAI for the 2<sup>nd</sup> control period and tariffs as per Table 57 will continue till 31.03.2021 to meet the targeted ARR.

17.10. The estimated aeronautical revenues based on tariffs as proposed by the Authority to be applicable from 01.06.2018 in Consultation Paper No. 03/2018-19 is indicated in Table 58.





Table 58 - Projected Revenue, Target Revenue and shortfall as per the Authority for the 2<sup>nd</sup> control period in the Consultation Paper

Projected Aero Revenue based on AAI proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing	54.4	67.2	92.8	106.3	117.2
Parking and Housing	0.4	0.6	1.2	1.4	1.6
UDF	96.5	113.9	21.6	0.0	0.0
FTP+ITP and lease rentals	4.5	4.9	5.3	5.7	6.2
Ground Handling Charges and lease rentals	14.1	18.3	20.0	21.9	24.0
CUTE	4.1	5.1	5.8	6.6	7.5
Cargo	8.2	0.0	0.0	0.0	0.0
<b>Total Projected Revenue</b>	<b>182.3</b>	<b>210.0</b>	<b>146.7</b>	<b>142.0</b>	<b>156.4</b>
<b>Target Aero Revenue</b>	<b>115.0</b>	<b>149.1</b>	<b>176.2</b>	<b>208.3</b>	<b>246.2</b>
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	67.2	60.9	-29.5	-66.3	-89.8
PV value as on 01.04.2016 with Discount rate (14.00%)	67.2	53.5	-22.7	-44.7	-53.2
<b>Total PV of difference as on 01.04.2016 for the control period</b>					<b>0.1</b>

17.11. The Authority noted that AAI had taken 6% inflation rate while determining the Yield per Passenger for tariff years in the 2<sup>nd</sup> control period and X factor of 0.01% from FY 2018-19 onwards. As per RBI issued Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 45, the WPI inflation is forecasted to be 4.2% for the next 5 years. The Authority had proposed to revise WPI for the 2<sup>nd</sup> control period to 4.2%.

17.12. The Authority had proposed that any shortfall/ excess in revenues for the 2<sup>nd</sup> control period based on proposed tariffs by AAI to be considered while determining aeronautical tariffs for the 3<sup>rd</sup> control period.

17.13. The Authority had noted that average ASQ rating at SVPIA has been more than 3.75 in every year of 1<sup>st</sup> control period as required under Section 6.14.3 of Airport Guidelines. Details of the ASQ ratings are provided below.





Table 59 – Quarterly ASQ rating of SVPIA during the 1<sup>st</sup> control period

Quarter	2012	2013	2014	2015	2016
Q1	3.51	4.07	4.25	4.36	4.74
Q2	4.09	4.13	4.27	4.29	4.33
Q3	3.87	4.12	4.38	4.76	3.70
Q4	3.99	4.19	4.39	4.47	4.66
<b>Average</b>	<b>3.87</b>	<b>4.13</b>	<b>4.32</b>	<b>4.47</b>	<b>4.36</b>

17.14. Based on the material before it and its analysis, the Authority had proposed the following:

17.14.1. To accept Annual Tariff Proposals as given in Table 57 for determination of tariff during 2<sup>nd</sup> control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority. Detailed tariff card is provided in Annexure for stakeholder comments.

17.14.2. 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 09.02.2004 in order to encourage and promote intra-regional connectivity at SVPIA.

17.14.3. To provide waiver of landing and other charges in line with the Order No. 20/ 2016-17 dated 31.03.2017 of the Authority.

17.14.4. To consider shortfall/ excess in revenues for the 2<sup>nd</sup> control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3<sup>rd</sup> control period.

#### ***Stakeholders' comments and Authority's observations***

##### ***Comments from IATA***

17.15. IATA submitted that as communicated in previous submissions, IATA is against discriminatory practices such as differential pricing or waiver of landing charges for select domestic operations. If the approach is driven by government policy, it should be funded accordingly by the state.

17.16. Concerning the adjustments to the tariffs, IATA recommends AERA to equally spread the resultant excess of the ARR across all charges i.e. Landing, parking as well and not



only limiting to reduction in UDF.

17.17. For Fuel Throughput Charge, IATA welcomes the proposal to deny the 5% increase sought by the airport which is a step in the right direction. However, IATA would stress again that Fuel Throughput Charge has no cost basis and should be eliminated especially given that the airport is already collecting lease rental for the land where the fuel facilities stand on.

17.18. AERA has also noted that airport is expected to achieve ASQ rating of 3.75 and above as required under Section 6.14.3 of Airport Guidelines. The quarterly ASQ rating is based on passengers' perception and hence is subjective in nature. We would implore AERA and the airports to look at data driven service performance metrics which would provide a more objective indication of actual service level being captured in a consistent manner. The IATA Level of Service (LoS) is a concept we would recommend AERA to consider adopting for airport passenger terminals design and service level monitoring. In addition, IATA provides best practice industry guidance regarding Airport Service Level Agreements (SLA) broadly used across best practice airports, and we strongly encourage adoption of our policy in Users and consumers interests by AERA.

***AAI's submission to IATA's comments***

17.19. AAI submitted that the waiver of landing in charges for select Domestic aircraft is approved by GOI to encourage & promote intra-regional connectivity.

17.20. Additionally, AAI submitted that the tariff are as far possible fixed in such a way that ARR is equally distributed between airlines & passengers.

***Authority's examination of IATA's comments and AAI's submission on IATA's comments***

17.21. With respect to the tariff differential between international and domestic operations, the Authority notes that the airport has to set up facilities such as immigration, customs, etc. for international operations. For international passengers, facilities required are more and therefore the costs also vary. Hence, the Authority is of the view that international tariffs can be higher than the domestic tariffs.

17.22. The Authority has noted IATA's comment to equally spread the resultant excess of ARR across all charges. The Authority determines the maximum ARR for a control period, however, the tariffs to recover the ARR are determined by the airport operator.



Hence, the tariffs would be decided after consultation with AAI.

17.23. The Authority has noted the comment from IATA regarding the fuel throughput charge and UDF. The Authority notes that fuel throughput charge and UDF is an aeronautical tariff which is used to recover the ARR during the control period. In case fuel throughput charge and UDF are not levied, as proposed, then the other aeronautical charges such as landing, parking and housing would have to be increased to recover the ARR. The Authority further notes that it determines the ARR for a control period however, the tariff structure, including fuel throughput charge and UDF, to recover such ARR is proposed by the airport operator.

17.24. With respect to IATA's comment on 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 Authority may review the IATA's Airport Service Level Agreements while undertaking the study.

#### ***Comments from FIA***

17.25. FIA submitted as under:

17.25.1. In para 14.6 of Consultation Paper No. 03/2018-19, it is stated that the Authority proposes to consider existing tariffs while calculating aeronautical revenues for FY 2016-17 as the revised tariffs as submitted by AAI are proposed to be applicable from 01.06.2018 onwards. FIA submits that as already seen above, due to multiplicity of submission made by AAI, the issuance of the order for the 2<sup>nd</sup> control period has been inordinately delayed. FIA submits that had the Authority initiated consultation paper with the initial submission of AAI dated 16.03.2016, revised tariff could have been applicable from 01.04.2016 instead of a delay of 2 years (i.e. now proposed to be applicable from 01.06.2018).

#### ***Authority's examination of FIA's comments***

17.26. With respect to FIA's comment on the SVPIA tariff proposal, the Authority clarifies





that the tariffs (especially UDF) of SVPIA have been reduced significantly in the 2<sup>nd</sup> control period.

**Comments from BAOA**

17.27. BAOA submitted that –

17.27.1. While changing over to ‘hybrid till’ mechanism is as per NCAP 2016, this should result in nil ‘royalty’ to be charged on other aeronautical services, which were ‘hitherto’ treated wrongly as non-aeronautical like ‘fuel services, cargo and ground handling’

17.27.2. At para 12.8 of Consultation Paper 03/2018-19, the annual increase in lease rentals for fuel, cargo & ground handling providers should be rationalized and aligned with RBI forecast inflation rate of 4.2 as mentioned at para 16.13 of Consultation Paper 03/2018-19

17.27.3. Fuel Throughput (FTP) charges mean levying royalty at public airports for providing aeronautical services and, as such, this is to be completely abolished

**AAI’s submission to BAOA’s comments**

17.28. AAI submitted that the lease rentals for fuel, cargo & ground handling providers are governed by commercial agreements between AAI & the companies. Any increase or decrease in these charges would result in increase or decrease in other Aeronautical charges as the aeronautical revenue would be equal to or less than the ARR.

**Authority’s examination of BAOA’s comments and AAI’s submission to BAOA’s comments**

17.29. The Authority has noted the comment from BAOA regarding the royalty on aeronautical services. The Authority notes that any royalty from aeronautical services is an aeronautical revenue which is used to recover the ARR during the control period. In case royalty on aeronautical services are not levied, as proposed, then the other aeronautical charges such as landing, parking and housing would have to be increased to recover the ARR. The Authority further notes that it determines the ARR for a control period however, the tariff structure, including fuel throughput charge and UDF, to recover such ARR is proposed by the airport operator. Fuel services, cargo and ground handling revenues (royalty and lease rentals) are considered as aeronautical for AAI airports.



### **Comments from AOC**

17.30. AOC expressed satisfaction on the proposal and suggested that reduction in tariff should not affect the quality of services being provided to the passenger and further improvement/development in facilities at Ahmedabad Airport.

### **Authority's examination of AOC's comments**

17.31. The Authority has noted AOC's comment on quality of services.

### **Comments from HPCL**

17.32. AERA has proposed Throughput charges at Ahmedabad Airport as ₹ 112.10 per KL upto 31<sup>st</sup> March 2021. We shall abide by the decision taken by AERA. However any revision in Fuel Throughput charges should be approved on prospective basis only.

### **AAI's submission to HPCL's comments**

17.33. AAI submitted that the revision in rates in respect of all charges including Throughput charges is only prospective.

### **Authority's examination of HPCL's comments and AAI's submission to HPCL's comments**

17.34. The Authority decides to levy the revised FTC which shall be effective from 01.08.2018.

### **AAI's submission on Annual Tariff Proposal**

17.35. AAI submitted that due to revised proposals during the stakeholder consultation meeting with respect to traffic and additional capital expenditure, the revised proposal of Aeronautical charges are as under:

17.35.1. Landing - No increase is proposed

17.35.2. Parking & Housing is to be increased by 114%

17.35.3. Throughput charges - No increase is proposed

17.35.4. UDF (International) is to be reduced by 66% (proposed by AAI ₹ 140 per departing passenger)

17.35.5. UDF (Domestic) is to be increased by 27% (proposed by AAI ₹ 140 per departing passenger)

17.35.6. PSF (F) - It is also proposed to merge UDF with PSF (F)

17.36. AAI also submitted that as discussed during the consultation meeting, nomenclature may be considered for change as PSF (Facilitation).



**Authority's examination of AAI's submission**

17.37. The Authority has revised the date of applicability of tariff from 01.06.2018 to 01.08.2018 in this Order. The revised UDF charges will be applicable on tickets issued on or after 01.08.2018.

17.38. The Authority has made changes to certain regulatory blocks such as capital expenditure & asset additions, traffic forecast, depreciation, tax, etc. based on AAI's proposal during the stakeholder meeting as discussed in the previous sections of this Order. Revised ARR for the 2<sup>nd</sup> control period has been shown in Table 55. Accordingly, to recover the revised ARR, UDF of ₹ 85 per departing passenger has been introduced in the tariff card for SVPIA which would be applicable from 01.08.2018.

17.39. The revised tariffs which would be applicable from 01.08.2018 as submitted by AAI and as considered by the Authority in the Order are given in table below:

Table 60 - Revised aeronautical tariffs as submitted by AAI and as decided by the Authority in the Order

Particular	Existing Tariff	Revised tariff by AAI as part of stakeholder consultation meeting	Revised tariff decided by Authority in the Order
<b>Rate per landing - International Flight</b>			
Up to 10 MT	₹ 122.1 Per MT		
Above 10 MT up to 20 MT	₹ 1,221 + ₹ 179.3 per MT in excess of 10 MT		
Above 20 MT up to 50 MT	₹ 3,014 + ₹ 354.2 per MT in excess of 20 MT		
Above 50 MT up to 100 MT	₹ 13,640 + ₹ 413.6 per MT in excess of 50 MT		
Above 100 MT	₹ 34,320 + ₹ 471.9 per MT in excess of 100 MT		
Up to 25 MT		₹ 190 per MT	₹ 190 per MT
Above 25 MT up to 50 MT		₹ 4,750 + ₹ 350 per MT in excess of 25 MT	₹ 4,750 + ₹ 350 per MT in excess of 25 MT





Particular	Existing Tariff	Revised tariff by AAI as part of stakeholder consultation meeting	Revised tariff decided by Authority in the Order
Above 50 MT up to 100 MT		₹ 13,500 + ₹ 410 per MT in excess of 50 MT	₹ 13,500 + ₹ 410 per MT in excess of 50 MT
Above 100 MT up to 200 MT		₹ 34,000 + ₹ 470 per MT in excess of 100 MT	₹ 34,000 + ₹ 470 per MT in excess of 100 MT
Above 200 MT		₹ 81,000 + ₹ 560 per MT in excess of 200 MT	₹ 81,000 + ₹ 560 per MT in excess of 200 MT
<b>Rate per Landing - Domestic Flight</b>			
Up to 10 MT	₹ 67.1 Per MT		
Above 10 MT up to 20 MT	₹ 671 + ₹ 117.7 per MT in excess of 10 MT		
Above 20 MT	₹ 1,848 + ₹ 231 per MT in excess of 20 MT		
Up to 25 MT		₹ 140 per MT	₹ 140 per MT
Above 25 MT up to 50 MT		₹ 3,500 + ₹ 220 per MT in excess of 25 MT	₹ 3,500 + ₹ 220 per MT in excess of 25 MT
Above 50 MT up to 100		₹ 9,000 + ₹ 250 per MT in excess of 50 MT	₹ 9,000 + ₹ 250 per MT in excess of 50 MT
Above 100 MT up to 200 MT		₹ 21,500 + ₹ 270 per MT in excess of 100 MT	₹ 21,500 + ₹ 270 per MT in excess of 100 MT
Above 200 MT		₹ 48,500 + ₹ 290 per MT in excess of 200 MT	₹ 48,500 + ₹ 290 per MT in excess of 200 MT
<b>Housing Charges</b>			
Up to 40 MT	₹ 3.5 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 140 + ₹ 6.8 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 548 + ₹ 10.3 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 6 Per Hour Per MT	₹ 6 Per Hour Per



Particular	Existing Tariff	Revised tariff by AAI as part of stakeholder consultation meeting	Revised tariff decided by Authority in the Order
			MT
Above 25 MT up to 50 MT		₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100		₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT up to 200 MT		₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT
<b>Parking Charges</b>			
Up to 40 MT	₹ 1.8 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 72 + ₹ 3.4 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 276 + ₹ 5.2 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 3 Per Hour Per MT	₹ 3 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT
Above 50 MT up to 100		₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT
Above 100 MT up to 200 MT		₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT
<b>Throughput Charges</b>			
Rate per KL	₹ 112.1	₹ 112.1	₹ 112.1
<b>Passenger Service Fee (PSF) – Facilitation</b>			





Particular	Existing Tariff	Revised tariff by AAI as part of stakeholder consultation meeting	Revised tariff decided by Authority in the Order
Domestic Passenger (per embarking passenger)	₹ 77	Nil	Nil
International Passenger (per embarking passenger)	₹ 77	Nil	Nil
<b>User Development Fee (UDF)</b>			
Domestic Passenger (per embarking passenger)	₹ 110	₹ 140	₹ 85
International Passenger (per embarking passenger)	₹ 415	₹ 140	₹ 85
<b>Passenger Service Fee (PSF) – Security*</b>			
Domestic Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25
International Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25

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

17.40. From 01.08.2018, AAI as per their submission dated 11.05.2018 has proposed no increase in the tariffs for the rest of the control period. The Authority decides to accept no increase in tariffs for rest of the second control period as per the submission of AAI.

17.41. The estimated aeronautical revenues is indicated in Table 61 based on tariffs as decided by the Authority in Table 60.

Table 61 - Projected Revenue, Target Revenue and shortfall/ excess as considered by the Authority for the 2<sup>nd</sup> control period in the Order

Projected Aero Revenue based on the Authority proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing (A)	54.4	65.7	71.2	77.1	83.6
Parking and Housing (B)	0.4	0.5	1.0	1.4	1.5
UDF/PSF (F) actuals and at proposed	96.5	114.0	71.8	49.3	55.5





Projected Aero Revenue based on the Authority proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
rates (C)					
FTP+ITP and lease rentals (D)	4.5	4.9	5.2	5.6	6.1
Ground Handling charges and lease rentals (E)	14.1	17.9	19.4	21.0	22.8
CUTE (F)	4.1	5.1	5.8	6.5	7.3
Cargo charges (G)	8.2	0.0	0.0	0.0	0.0
<b>Total Projected Revenue as per existing UDF/PSF (H = A+B+C+D+E+F+G)</b>	<b>182.3</b>	<b>208.2</b>	<b>174.4</b>	<b>161.0</b>	<b>176.7</b>
<b>Target Aero Revenue</b>	<b>124.4</b>	<b>160.6</b>	<b>188.2</b>	<b>220.6</b>	<b>258.6</b>
Short fall (+)/ Excess (-) in revenue, i.e. difference (Projected – Permissible)	57.8	47.5	-13.8	-59.7	-82.0
PV value shortfall (+)/ excess (-) as on 01.04.2016 with Discount rate (14.00%)	57.8	41.7	-10.7	-40.3	-48.5
<b>Total PV shortfall (+)/ excess (-) of difference as on 01.04.2016 for the control period</b>					<b>0.1</b>

**Decision No. 13. Tariff rate card**

- 13.a. The Authority decides to accept Annual Tariff Proposals as given in Table 60 (and Annexure) for determination of tariff during 2<sup>nd</sup> control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority.
- 13.b. The Authority decides 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 09.02.2004 in order to encourage and promote intra-regional connectivity at SVPIA.
- 13.c. The Authority decides to provide waiver of landing and other charges in line with the Order No. 20/ 2016-17 dated 31.03.2017 of the Authority.
- 13.d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f.



01.08.2018.

13.e. The Authority decides to consider shortfall/ excess in revenues for the 2<sup>nd</sup> control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3<sup>rd</sup> control period.



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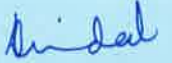
**19. Order**

19.1. 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 SVPIA from 01.08.2018 till the end of 2<sup>nd</sup> control period are placed at Annexure I.

19.2. 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 01.08.2018.

19.3. 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)  
Secretary

To,  
Airports Authority of India  
Rajiv Gandhi Bhavan  
Safdarjung Airport  
New Delhi -110 003

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Annexure 1 – Detailed Tariff Card as per the Authority to be applicable from 01.08.2018 to 31.03.2021

**I) LANDING CHARGES**

**Rate per landing - International Flight**

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 190 per MT
Above 25 MT up to 50 MT	₹ 4,750 + ₹ 350 per MT in excess of 25 MT
Above 50 MT up to 100 MT	₹ 13,500 + ₹ 410 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 34,000 + ₹ 470 per MT in excess of 100 MT
Above 200 MT	₹ 81,000 + ₹ 560 per MT in excess of 200 MT

**Rate per Landing - Domestic Flight**

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 140 per MT
Above 25 MT up to 50 MT	₹ 3,500 + ₹ 220 per MT in excess of 25 MT
Above 50 MT up to 100 MT	₹ 9,000 + ₹ 250 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 21,500 + ₹ 270 per MT in excess of 100 MT
Above 200 MT	₹ 48,500 + ₹ 290 per MT in excess of 200 MT

**Note**

1)	No Landing charges shall be payable in respect of a) aircraft with a maximum certified Capacity of less than 80 seats, being operated by domestic scheduled operators at airport and b) helicopters of all types c) DGCA approved Flying school/flying training institute aircrafts.
2)	All domestic legs of International routes flown by Indian Operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
3)	Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg)



## II) PARKING AND HOUSING CHARGES

Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
Up to 25 MT	₹ 3 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50.MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT

### Note

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 takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period 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 Ahmedabad Airport if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 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 for all the airports within the jurisdiction of the said State

## III) THROUGHPUT CHARGES

Rate Per KL (IN ₹)
₹ 112.1





#### IV) PASSENGER SERVICE FEE (PSF) – SECURITY\*

Proposed per embarking passenger	
₹ 130	\$ 3.25

\* PSF-Security Fee is applicable as determined by MoCA from time to time

#### **Notes**

1)	Collection Charge: If the payment is made within 15 days of receipt of invoice, then collection charges at ₹ 2.50% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No PSF (Security) will be levied for Transit Passengers
3)	For conversion of US \$ into ₹ the rate as on 1 <sup>st</sup> day of the month for 1 <sup>st</sup> fortnightly billing period and rate as on 16 <sup>th</sup> of the month for the 2 <sup>nd</sup> fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

#### V) USER DEVELOPMENT FEE (UDF)

Particulars	Rate
Domestic UDF per Embarking Passenger	₹ 85
International UDF per Embarking Passenger	₹ 85

#### **Notes**

1)	Collection Charge: If the payment is made within 15 days of receipt of invoice then collection charges at ₹ 5 per departing passenger shall be paid by AAI. 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. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No collection charges are payable to casual operator/non-scheduled operators
3)	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.
4)	Revised UDF charges will be applicable on tickets issued on or after 01.08.2018.
5)	No UDF will be levied for Transit Passengers

#### VI) Exemption from levy and collection from UDF and PSF (SC) at the Airports

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons





from levy and collection of UDF & PSF (Security).

- (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").
- (g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

**VII) GENERAL CONDITION:**

- a) 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.
- b) All the above Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.

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Annexure 2 – Comparison of ARR with the projected Aeronautical Revenues for 2<sup>nd</sup> control period

S. No.	Particulars	2017	2018	2019*	2020	2021
<b>Traffic Assumptions</b>						
1	Domestic ATMs	38,762	49,987	54,147	58,654	63,535
2	International ATMs	12,345	13,142	14,244	15,438	16,732
3	<b>Total ATMs</b>	<b>51,107</b>	<b>63,129</b>	<b>68,391</b>	<b>74,091</b>	<b>80,267</b>
4	Domestic Passengers	5,619,373	7,323,471	8,280,068	9,361,617	10,584,438
5	International Passengers	1,785,909	1,850,954	2,039,472	2,247,190	2,476,064
6	<b>Total Passengers</b>	<b>7,405,282</b>	<b>9,174,425</b>	<b>10,319,540</b>	<b>11,608,806</b>	<b>13,060,502</b>
7	Fuel throughout (kL)	122,615	151,457	164,082	177,758	192,575
<b>Aeronautical Revenues</b>						
<b>Landing Charges</b>						
8	Average landing charges per departing domestic ATM (INR)	17957	17957	17957	17957	17957
9	<i>Growth in average landing charges per departing domestic ATM (INR)</i>		0%	0%	0%	0%
10	<b>Landing Charges - Domestic ATM (INR cr.)</b>	<b>34.8</b>	<b>44.9</b>	<b>48.6</b>	<b>52.7</b>	<b>57.0</b>
11	Average landing charges per departing international ATM (INR)	31694	31694	31694	31694	31694
12	<i>Growth in average landing charges per departing International ATM (INR)</i>		0%	0%	0%	0%
13	<b>Landing Charges - International ATM (INR cr.)</b>	<b>19.6</b>	<b>20.8</b>	<b>22.6</b>	<b>24.5</b>	<b>26.5</b>
14	<b>Total Landing Charges (Dom + Int)</b>	<b>54.4</b>	<b>65.7</b>	<b>71.2</b>	<b>77.1</b>	<b>83.6</b>
<b>Parking and Housing Charges:</b>						
15	Parking and Housing Average Revenue per departing ATM (Dom+Int)	171	171	366	366	366
16	<i>Growth in Parking and Housing charges per departing ATM (Dom+Int)</i>		0%	114%	0%	0%
17	<b>Total Parking and Housing Charges (Dom + Int)</b>	<b>0.4</b>	<b>0.5</b>	<b>1.0</b>	<b>1.4</b>	<b>1.5</b>





S. No.	Particulars	2017	2018	2019*	2020	2021
	<b>User Development Fee (UDF)</b>					
18	Domestic UDF per departing passenger (INR)	187	187	85	85	85
19	<i>Growth in Domestic UDF per departing passenger (%)</i>		0%	-55%	0%	0%
20	Revenues from Domestic UDF (INR cr.)	52.5	68.5	49.3	39.8	45.0
21	International UDF per departing passenger (INR)	492	492	85	85	85
22	<i>Growth in International UDF per departing passenger (%)</i>		0%	-83%	0%	0%
23	Revenues from International UDF (INR cr.)	43.9	45.5	22.5	9.6	10.5
24	<b>Total UDF (INR cr.)</b>	<b>96.5</b>	<b>113.9</b>	<b>71.8</b>	<b>49.3</b>	<b>55.5</b>
	<b>Fuel Throughput Charges (FTC)</b>					
25	FTC (INR per kL)	112.1	112.1	112.1	112.1	112.1
26	Revenues from FTC (INR cr.)	1.4	1.7	1.8	2.0	2.2
27	<b>Ground Handling Charges</b>	<b>13.0</b>	<b>16.1</b>	<b>17.4</b>	<b>18.9</b>	<b>20.5</b>
28	<i>Growth in ground handling charges as per increase in ATMs</i>		23.5%	8.3%	8.3%	8.3%
29	<b>Cute services</b>	<b>4.1</b>	<b>5.1</b>	<b>5.8</b>	<b>6.5</b>	<b>7.3</b>
30	<i>Growth in CUTE charges as per increase in passengers</i>		23.9%	12.5%	12.5%	12.5%
31	<b>Land lease from ground handling agencies</b>	<b>1.0</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>2.2</b>
32	<i>Growth as per contracts</i>		7.5%	7.5%	7.5%	7.5%
33	<b>Land lease from oil companies</b>	<b>3.2</b>	<b>3.2</b>	<b>3.4</b>	<b>3.7</b>	<b>3.9</b>
34	<i>Growth as per contracts</i>		7.5%	0.0%	7.5%	7.5%
35	<b>Rent from GHAs</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
36	<i>Growth as per contracts</i>		10.0%	10.0%	10.0%	10.0%
36	<b>Cargo revenues</b>	<b>7.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
37	<b>Land lease from cargo</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
37	<i>Growth as per contracts</i>		7.5%	7.5%	7.5%	7.5%





S. No.	Particulars	2017	2018	2019*	2020	2021
38	<b>Total aeronautical revenues</b>	<b>182.3</b>	<b>208.2</b>	<b>174.4</b>	<b>161.0</b>	<b>176.7</b>
39	<b>Target Aero Revenue</b>	124.4	160.6	188.2	220.6	258.6
40	Short fall (+)/ Excess (-) in revenue, i.e. difference (Projected – Permissible)	57.8	47.5	-13.8	-59.7	-82.0
41	PV value shortfall (+)/ excess (-) as on 01.04.2016 with Discount rate (14.00%)	57.8	41.7	-10.7	-40.3	-48.5
42	<b>Total PV shortfall (+)/ excess (-) of difference as on 01.04.2016 for the control period</b>					<b>0.1</b>

\* For FY 2016-17 and FY 2017-18, existing tariffs are applicable and revised tariffs are applicable from 01.08.2018 onwards.



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