

F. No. AERA/20010/MYTP/AAI-CALICUT/CP-III/2021-26

Consultation Paper No. 17/2021-22



AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

**IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFF FOR
CALICUT INTERNATIONAL AIRPORT (CCJ)**

FOR THE THIRD CONTROL PERIOD

(01.04.2021 - 31.03.2026)

Date of issue: 07.10.2021

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110003**

STAKEHOLDERS' COMMENTS

The Authority is aware of the fact that since the early months of 2020 the Aviation Sector has been faced with severe disruptions and uncertainty on account of the COVID-19 global pandemic. The Authority is also cognizant of the recent trends on account of the second wave of infections and their impact on the industry as a result of the prevailing restrictions in air travel, both domestic and international, across the world. The Authority is inclined to avoid any delay in approval and implementation of tariffs for the Third Control Period and therefore has released this Consultation Paper currently in which the proposals have been put forward based on Authority's analysis and observations on the Multi Year Tariff Proposal (MYTP) submitted by the Airport Operator.

The Authority, in the context of the COVID-19 pandemic, after considering all information currently available, the views of the Airport Operators, industry bodies such as IATA, ACI, CAPA etc. on this matter, and analysing various scenarios, has reviewed the necessary adjustments in traffic and other regulatory building blocks on account of the expected changes and uncertainties in the prevailing business scenario. However, these adjustments would be finalised only after consideration of valuable comments from the stakeholders.

For this Consultation Paper, the Authority has considered the actual audited financial results for the first four years of the Second Control Period (FY 2017-2020) and projections for FY 2021. Since AERA is doing this tariff determination exercise in real time, the figures for FY 2021 are not available at this stage. The Authority will factor in the actual financial results for FY 2021 on receipt of the audited financial statements from the Airport Operator and appropriately make necessary adjustments on account of the same in the Tariff Order.

The Authority shall consider written evidence-based feedback, comments and suggestions from all the stakeholders on the proposals made in the Consultation Paper and pass a suitable Order determining the Tariff for airport services.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 17/2021-22 dated 07.10.2021 are invited from the stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airport, New Delhi – 110003, India
Email: rajan.guptal@aera.gov.in, copy to director-ps@aera.gov.in and secretary@aera.gov.in

Stakeholder Consultation Meeting:	25 th October 2021
Last Date for submission of comments:	8 th November 2021
Last Date for submission of counter comments:	22 nd November 2021

Comments and counter comments will be posted on AERA's website: www.aera.gov.in.

For any clarification/ information, Director (P&S, Tariff) may be contacted at Telephone Number: Tel: 011-24695048

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GLOSSARY

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
AERA	Airports Economic Regulatory Authority
ANS	Air Navigation Services
ARR	Annual Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CFT	Crash Fire Tender
CHQ	Central Headquarters
CIA	Calicut International Airport
CISF	Central Industrial Security Force
DGCA	Directorate General of Civil Aviation
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GoI	Government of India
GST	Goods and Services Tax
IDC	Interest During Construction
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-aeronautical revenue
NOTAM	Notice to Airmen
PCN	Pavement Classification Number
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RHQ	Regional Headquarters
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metres
UDF	User Development Fees
YPP	Yield per Passenger

1. INTRODUCTION

1.1. Background

- 1.1.1 Calicut International Airport (CCJ or ‘Calicut Airport’) located in Karipur, Malappuram district in the state of Kerala, is currently the 17th busiest airport (as per data on top 50 busiest airports for FY 2019-20)¹ in India by passengers handled and 17th busiest airport (as per data on top 50 busiest airports for FY 2019-20)² by air traffic movements. It is owned and operated by Airports Authority of India.
- 1.1.2 The airport was inaugurated on April 13, 1988 and received international airport status on February 2, 2006. It serves the Malabar region of Kozhikode, Malappuram, Wayanad and Palakkad. It is situated 28 kilometres away from Kozhikode city and 25 kilometres away from Malappuram city.
- 1.1.3 It is one of the few airports in the country with tabletop runway.

1.2. Calicut International Airport (CIA)

- 1.2.1 The total area of Calicut Airport is 378.45 acres and it has two terminals at present:
- Domestic – The domestic terminal has the terminal area of 14,368 Sq.m., with the capacity to handle 500 passengers during peak hours.
 - International – The international terminal has the terminal area of 23,290 Sq.m., with the capacity to handle 1,500 passengers during peak hours
 - In addition to the above 2 terminals, a New International Arrival Block (NIAB) was commissioned during the FY 2018-19, with a terminal area of 18,878 Sq.m.
- 1.2.2 As per the AERA (Amendment) Act 2019, a “major airport” means any airport which has or is designated to have, annual passenger throughput in excess of three and a half million or any other airport as the Central Government may by notification, specify as such. Calicut International Airport is a major airport which was assessed to handle passenger capacity of 3.5 MPPA in the year 2017. Subsequently, in March 2019, a new International Arrival Hall having an area of 7,000 S.q.m. was operationalized, due to which international passenger area had increased. With the enhancement of area, modification of terminal building with addition of Inline X-Ray machines, increased number of check-in counters, immigration counters etc., the designated capacity of Calicut International Airport has been enhanced from 3.5 MPPA to 5.0 MPPA. The number of passengers for the FY 2019-20 had been around 3.22 MPPA
- 1.2.3 The length of the Airport’s Runway is about 2,860 metres and it has 4 taxi tracks and 12 apron bays. The total area of car parking is about 12,542.49 Sq.m.

1.3. Cargo Operations

- 1.3.1 The following Cargo airlines fly to the Calicut Airport:

- | | |
|-------------------------|---------------|
| • Gulf Air Falcon Cargo | • Saudiacargo |
| • Qatar Airways Cargo | • SpiceXpress |

¹ As per data on top 50 busiest airports for FY 2019-20, published by AAI.

² As per data on top 50 busiest airports for FY 2019-20, published by AAI

2. MULTI YEAR TARIFF PROPOSAL SUBMISSION BY CALICUT INTERNATIONAL AIRPORT

2.1 Introduction

2.1.1 AERA, was established by the Government of India vide notification No. GSR 317(E) dated 12th May 2009. The functions of AERA, in respect of major airports, are specified in section 13(1) of the Act, which are as below:

- a) To determine the tariff for Aeronautical services taking into consideration –
 - i. the capital expenditure incurred and timely investment in the improvement of airport facilities;
 - ii. the service provided, its quality and other relevant factors;
 - iii. the cost for improving efficiency;
 - iv. economic and viable operation of major airports;
 - v. revenue received from services other than the Aeronautical services;
 - vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and
 - vii. any other factor which may be relevant for the purpose of the Act.
- b) To determine the amount of the development fees in respect of Major Airports;
- c) To determine the amount of the passengers' service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934;
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorised by it in this behalf;
- e) To call for any such information as may be necessary to determine the tariff for Aeronautical services; and
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act.

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

2.1.3 After its establishment, AERA has categorised the Aeronautical services, in respect of which it is required to determine Tariff, as under:

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

2.1.4 AERA has, after extensive stakeholder consultation, finalised its approach to the economic regulation of services categorised in para 2.1.3 above. Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf are as under:

- i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination

of tariff for Airport Operators); and

- ii. Order No. 05 dated 02.08.2010 ((Regulatory philosophy and approach in Economic Regulation of the services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 (Terms and conditions for determination of tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts).
 - iii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
 - iv. Order No. 14/2016-17dated 23.01.2017 (Aligning certain aspects of AERA’s regulatory approach with the provisions of the National Civil Aviation Policy – 2016).
 - v. Order No. 20/2016-17 dated 31.03.2017 (Allowing concession to RCS flights under Regional Connectivity Scheme (RCS)).
 - vi. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 (In the matter of determination of useful life of Airport assets).
 - vii. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).
- 2.1.5 AAI had submitted Multi Year Tariff Proposal (MYTP) for the Second Control Period from April 1, 2016 till March 31, 2021. AERA vide its Order No. 9/2017-18 dated August 4, 2017 had determined tariffs for Aeronautical services for Calicut International Airport for the Second Control Period.
- 2.1.6 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. Calicut International Airport has submitted the MYTP for the Third Control Period commencing from FY 2021-22 to FY 2025-26 on March 8, 2021. The document is available on the AERA’s website along with the Consultation Paper.
- 2.1.7 The Authority had appointed an independent consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by the airport operator of Calicut International Airport (CCJ), Calicut. Accordingly, M/s R. Subramanian and Company LLP has assisted the Authority in examining the MYTP of the airport operator, including verifying the data from various supporting documents submitted by the airport operator, examining the building blocks in tariff determination, and ensuring that the treatment given to it is consistent with the Authority’s methodology and approach.
- 2.1.8 AAI has informed that accounts of AAI are audited by the Comptroller and Auditor General of India (‘CAG’) as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for the AAI as a whole and only trial balance is available for Calicut Airport. The Authority has utilized these documents as submitted by AAI for determination of tariffs.
- 2.1.9 The Authority as part of its examination of the MYTP had raised queries and sought clarification on the assumptions used / discrepancies in the MYTP submitted by AAI. Pursuant to the above queries raised by the Authority, AAI had submitted a revised MYTP on June 16, 2021 by making revisions to certain building blocks such as RAB, computation of True up for the previous Control Period and the ARR for the current Control Period. The Authority has reviewed the revised MYTP submitted by AAI and has considered the same in its examination of the regulatory building blocks, which have been explained in the ensuing chapters.

2.1.10 All the figures presented in this Consultation Paper, have been rounded off up to two decimals.

3. FRAMEWORK FOR DETERMINATION OF TARIFF FOR CALICUT INTERNATIONAL AIRPORT

3.1 Methodology

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

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

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

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

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

Where,

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

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

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

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

3.2 Control Period

3.2.1 In terms of Direction No. 5 issued on 28 February 2011, Control Period means a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist. The Second Control Period for Calicut International Airport commences from April 1, 2016 and the Third Control Period commences from April 1, 2021.

3.3 Revenues from Air Navigation Services (ANS) and Cargo

- 3.3.1 AAI provides Air Navigation Services (ANS) in addition to landing, parking and other Aeronautical services at Calicut Airport. AAI has submitted that the tariff proposal does not consider revenues, expenditure, and assets on account of ANS. This Consultation Paper discusses the determination of tariffs for Aeronautical services at the airport excluding ANS.
- 3.3.2 AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), its wholly owned 100% subsidiary and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement.
- 3.3.3 This Consultation Paper discusses the determination of tariffs for Aeronautical services at the airport excluding Cargo Operations. The tariff for Cargo Operations shall be determined separately since the operations are carried out by a separate entity of AAI.

4. TRUE UP FOR THE SECOND CONTROL PERIOD

4.1 Calicut International Airport's submission on True up for the Second Control Period

4.1.1 Calicut International Airport has submitted the following shortfall of ₹ 383.56 Crores for the Second Control Period, as part of its MYTP submission for the Third Control Period:

Table 1: True up for Second Control Period submitted by AAI

(₹ Crores)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Total Revenue from Regulated Services (a)	43.25	82.18	118.95	127.79	33.07	405.24
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	11.28	12.48	15.96	14.49	3.99	58.20
Operating Expenditure (c)	61.76	86.96	101.04	117.13	123.90	490.79
Working Capital Interest (d)	0.00	0.00	0.00	0.00	1.53	1.53
Depreciation (e)	12.61	12.59	13.71	20.20	22.39	81.49
Total Expenditure (c) + (d) +(e)= (f)	74.38	99.55	114.75	137.32	147.82	573.81
Regulatory operating Profit (a) + (b) - (f) = (g)	-19.84	-4.89	20.16	4.96	-110.76	-110.37
Capital expenditure (Additions during the year) (h)	36.22	8.25	137.63	50.20	3.51	235.82
Opening RAB (i)	119.72	139.33	134.99	258.91	288.92	941.87
Disposals/ Transfers (j)	4.00	0.00	0.00	0.00	0.00	4.00
Closing RAB (i) + (h) -(j) - (e) = (k)	141.60	134.99	264.11	288.92	270.05	1,099.67
Average RAB [(i) + (k)] /2 = (l)	130.66	137.16	199.55	273.91	279.48	1,020.77
Return on Average RAB (l) *14% (m)	18.29	19.20	27.94	38.35	39.13	142.91
Return on Land (n)	2.98	2.98	3.09	2.82	1.66	13.53
Return on Land for FCP (o)	24.68	0.00	0.00	0.00	0.00	24.68
Tax @ 34.944% (FY18-19) & 25.17% w.e.f. FY 19-20 on (g) = (q)	0.00	0.00	0.00	0.00	0.00	0.00
(Excess)/Shortfall of FCP (r)	-12.86	0.00	0.00	0.00	0.00	-12.86
ARR [(f)+(m)+(n)+(o)+(p)+(q)+(r)]-(b) = (s)	96.19	109.25	129.82	164.00	184.61	683.87
Shortfall (a-s)	52.93	27.07	10.87	36.20	151.55	278.63
Shortfall including return @14% IRR	101.92	45.72	16.10	47.05	172.76	383.56

4.2 Authority's analysis of True up for the Second Control Period

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

4.2.2 The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 09/ 2017-18 dated August 4, 2017 have been reproduced below:

- **Decision No:3b – Traffic Forecast:** The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in Second Control Period while determining tariff for the Third Control Period.
- **Decision No. 6b – Capex:** AAI should undertake user stakeholder consultation process for major

Capex items as per the Guidelines.

- **Decision No. 6c – Capex:** The Authority decides to true up the opening RAB of the next control period depending on the Capex incurred and date of capitalisation of underlying assets in a given year.
- **Decision No. 7b – Depreciation:** The Authority decides to consider the recommendation of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.
- **Decision No. 8b - RAB:** The Authority decides to true up the RAB of Second Control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority at the time of determination of tariff for the Third Control Period.
- **Decision No. 10c – Non-aeronautical revenues:** The Authority decides that Non-aeronautical revenues will be trued up if its higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.
- **Decision No. 11b – O&M expenses:** The Authority expects AAI to reduce O&M expenditure over a period of time.
- **Decision No. 11c - O&M expenses:** The Authority decides to true up the O&M expenses for 2016-17 to 2020-21 of the 2nd Control Period based on the actuals at the time of determination of tariffs for the Third Control Period
- **Decision No. 12b – Taxation:** The Authority decides to true up the difference between the actual/apportioned corporate tax paid and that estimated by the Authority for the Second Control period during determination of tariffs for the Third Control Period.

4.3 True up of Traffic

4.3.1 Calicut International Airport has submitted Passenger Traffic and ATM for the Second Control Period as follows:

Table 2: Calicut International Airport’s submission for True up of traffic for the Second Control Period

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2016-17	4,42,515	22,09,404	26,51,919	15,171	19,747	34,918
2017-18	5,05,271	26,23,912	31,29,183	19,085	24,869	43,954
2018-19	6,12,548	27,48,202	33,60,750	18,688	26,553	45,241
2019-20	5,29,354	27,00,556	32,29,910	6,695	18,660	25,355
2020-21 (Est)	1,85,000	6,06,000	7,91,000	3,200	5,000	8,200
Total	22,74,688	1,08,88,074	1,31,62,762	62,839	94,829	1,57,668

Authority’s examination and proposal for traffic as part of tariff determination for the current control period:

4.3.2 The Authority verified the actual Passenger traffic and ATM for the Second Control Period with AAI’s website and noted variances in the passenger traffic and ATM submitted by AAI in their MYTP and that reflected in AAI’s website. Details of the same are provided in the table below:

Table 3: Actual passenger traffic and ATM for the Second Control Period from AAI's website

Year	Domestic Passengers	International Passengers	Total traffic	Domestic ATM	International ATM	Total ATM
2016-17	4,39,980	22,11,108	26,51,088	3,585	16,141	19,726
2017-18	5,10,972	26,28,460	31,39,432	4,263	20,647	24,910
2018-19	6,12,572	27,48,275	33,60,847	7,897	18,841	26,738
2019-20	5,29,354	27,00,556	32,29,910	6,695	18,660	25,355
2020-21	1,89,140	7,12,872	9,02,012	3,327	5,611	8,938
Total	22,82,018	1,10,01,271	1,32,83,289	25,767	79,900	1,05,667

4.3.3 The Authority notes that there are some minor variances in the passenger traffic and wide variances in ATM (between Table 2 & 3) submitted by AAI in their MYTP (as per Table 2) and that reflected in AAI's website (as per Table 3). The Authority upon analysis, noted that there were some errors in updating traffic data in the MYTP.

4.3.4 The traffic approved by the Authority in the Tariff Order No. 09/ 2017-18 for the Second Control Period is as below:

Table 4: Passenger traffic and ATM approved by the Authority in the Tariff Order for the Second Control Period

Year	Domestic Passengers	International Passengers	Total traffic	Domestic ATM	International ATM	Total ATM
2016-17	4,39,980	22,11,108	26,51,088	3,585	16,141	19,726
2017-18	4,83,978	23,65,886	28,49,864	3,872	17,109	20,981
2018-19	5,32,376	25,31,498	30,63,874	4,182	18,136	22,318
2019-20	5,85,613	27,08,702	32,94,315	4,516	19,224	23,740
2020-21	6,44,175	28,98,312	35,42,487	4,877	20,378	25,255
Total	26,86,122	1,27,15,506	1,54,01,628	21,032	90,988	1,12,020

4.3.5 The Authority notes from the above table that the actual Passenger traffic and ATM for the first four tariff years of the Second Control Period (as per Table 3) is higher than that approved by the Authority in the Tariff Order for the Second Control Period. The actual traffic for the 5th tariff year viz., FY 2020-21 is significantly lower than the projections submitted in Tariff order for the Second Control Period, due to the adverse impact of the ongoing Covid-19 pandemic.

4.3.6 Further, the Authority notes that there is a small dip in the passenger traffic for the FY 2019-20 (which is prior to the outbreak of Covid-19 pandemic) between the actual traffic and the projections approved in the Tariff Order for the Second Control Period, which is attributable to the following factors:

- Haj flight operations from Calicut Airport was terminated in the year 2015, as the Haj base was shifted to Cochin Airport.
- There were restrictions on flights due to NOTAM issued for 8 hours daily during FY 2016-17 and FY 2017-18 for re-carpeting of Runway.
- There were no wide-bodied aircraft operations during the years 2015 to 2019. The wide-bodied aircraft operation, which was resumed in 2020, was stopped at Calicut Airport after the air crash that

occurred in August 2020.

4.3.7 Based on the above analysis, the Authority proposes to consider the actual traffic as per AAI's website for the Second Control Period, as shown in Table 3.

4.4 True up of Capital Expenditure and Depreciation

4.4.1 Capex approved by the Authority in the Tariff Order for the Second Control Period is ₹ 153.30 Crores. (a)

4.4.2 Actual Capex for the Second Control Period is ₹ 235.82 Crores. (b)

4.4.3 Variance (b-a): ₹ 82.51 Crores (54%). These have been detailed in the below tables.

Table 5: Capex approved in the Tariff Order for the Second Control Period

(₹ Crores)							
S. No	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Runways	28.40	0	0	0	0	28.40
2.	Aprons	0	0	0	0	0	0
3.	Roads, Bridges & culverts	0.90	0	0	0	0	0.90
4.	Building – Terminal	0	0	78.60	0	0	78.60
5.	Building – Residential	0.30	0	0	0	0	0.30
6.	Other Building – unclassified	6.20	0	10.00	0	0	16.20
7.	Electrical installations	21.00	7.90	0	0	0	28.90
	Total	56.70	7.90	88.60	0	0	153.30

Table 6: Capital additions during the Second Control Period submitted by Calicut International Airport

(₹ Crores)				
S. No	Asset category	Capex approved by AERA (₹ in crores)	Actual capex incurred by Calicut International Airport (₹ in crores)	Remarks
Capex incurred towards projects approved by AERA for Second Control Period				
1	Terminal Building (NIAB)	78.61	76.43	Refer Annexure 2 for item wise details
2	Electrical installation (NIAB)	28.93	28.93	
3	Runway	28.40	33.86	
4	Road, bridges and culverts	0.94	-	
5	Other Building – Unclassified	16.2	0.40	
6	Building Residential	0.25	0.18	
	Total Approved Capex (A)	153.33	139.80	
Unplanned/ Unapproved Capex incurred by Calicut International Airport during Second Control Period				
7	Electrical Installations (Security related)	-	50.98	Refer Annexure 3 for
8	Tools and Equipment	-	11.18	

S. No	Asset category	Capex approved by AERA (₹ in crores)	Actual capex incurred by Calicut International Airport (₹ in crores)	Remarks
9	Machinery	-	5.21	item wise capex details
10	Vehicles	-	6.26	
11	CFT & Fire fighting Equipment	-	4.36	
12	X-Ray Equipment	-	3.10	
13	Boundary Wall - Operational	-	2.80	
14	Roads, Bridges & culverts	-	2.71	
15	ATM Furniture	-	2.30	
16	Vehicles - Cars & Jeeps	-	0.76	
17	Office Furniture	-	0.48	
18	Office Equipment	-	0.48	
19	Furniture & Fixtures - Trolleys	-	0.46	
20	Security Fencing	-	0.42	
21	Computer Software	-	0.07	
22	Computers & Peripherals	-	0.04	
	Total Unapproved Capex (B)	-	96.01	
	Total Capex incurred (A+B)		235.81	

Authority's examination and proposal for Capital expenditure and depreciation as part of tariff determination for the current control period:

4.4.4 The Authority analyzed the above variances between Projected Capex and the Actual Capex for the Second Control Period and noted that the variances for the major capital expenditure were primarily on account of the following reasons:

- **Electrical Installation (Security related):** The excess spend is on assets such as:
 - In Line baggage system (₹ 21.40 Crores) – CTX based Inline baggage handling system was installed in accordance with the latest BCAS Guidelines.
 - Passenger Boarding Bridges (PBB) (₹ 5.59 Crores) - Earlier 3 bays were provided with Passenger Boarding Bridges. During the Second Control Period, PBBs were installed in two more bays for improved passenger facilitation
 - FIDS/ AOCC (₹ 4.26 Crores) - Flight Data processed Departure and Arrival message in respect of Calicut bound flights are automatically integrated to AOCC for Departure and Arrival timings. AOCC use this data for FIDS display.
 - Mini Remotely Operated Vehicle (MROV) (Bomb detection supporting item) (₹ 1.60 Crores)- purchased for increased security
 - Immigration Counter (₹ 1.88 Crores) -Electronic gate (e-GATE) installed at the customs inspection area where passengers proceed to, after being admitted through immigration. Travelers' identities are confirmed at the kiosk terminal and at an exit gate.

- **Tools and Equipment:** Purchase of Threat containment vessel for ₹ 8.70 Crores - Part of Bomb Detection and Disposal System (BDDS) - equipment to contain explosive up to 6 tons of Trinitrotoluene multiple times. Containment Vessels are fully enclosed vessels designed to safely transport and test explosive devices.
- **Machinery:** Replacement of Diesel Generator (DG) sets (₹ 3.05 Crores) - Replacement of existing DG sets due to completion of its useful life and deteriorated performance
- **Vehicles:** Purchase of Rubber Removal Machine (₹5.28 Crores), GCM tractor (₹ 0.75 Crores) for cutting grass. Being a table-top runway, it is mandatory to maintain runway friction value 0.5 μ for the operation of code E Aircrafts. Frequent rubber removal has to be carried out on runway especially at the touch down areas, for which the Rubber removal machine is used extensively.
- It was noted that Calicut International Airport had incurred capex of ₹ 4.41 Crores towards laying down dedicated water supply, as against the capex approved by AERA for ₹ 6 crores, in the tariff order for the Second Control Period. The above capex was incorrectly classified as ‘Machinery’ by Calicut International Airport. The Authority during its examination has correctly reclassified the same under the asset category – ‘Other Buildings’.
- Also, the Authority noted that Capex for ₹ 7.48 crores, pertaining to Electrical installations of NIAB was wrongly classified under the asset category – ‘Machinery’. The Authority has reclassified the above capex under ‘Electrical installations’.

4.4.5 Upon analysis of the above Capital expenses, the Authority is of the view that most of these expenses were incurred by Calicut International Airport for Security or Passenger facilitation purposes to mitigate threats and improve operational needs.

4.4.6 The Authority noted that Calicut International Airport has capitalized Financing Allowance of ₹ 7.47 crores (₹ 2.27 crores towards project on recarpeting of runway and ₹ 5.20 crores towards construction of New International Arrival Block (NIAB) in the MYTP submitted for the true up of the Second Control Period. However, at the time of submission of the MYTP for the Second Control Period, such Financing allowance was not proposed by Calicut Airport and the Authority also had not approved the same in the Tariff Order issued for Calicut Airport for the Second Control Period. Further, it was noted that the capital expenditure was carried out by Calicut Airport using its own funds. The Authority is of the view that Financing allowance is essentially the Interest During Construction (IDC) for a project and should be provided only on the debt borrowings availed for execution of a project.

4.4.7 The Authority considers that giving an assured return on the equity investment even on the work-in-progress assets would result in reducing the risks associated with equity investment in capital projects. However, the airport operator is given a fair rate of return on equity when the capital assets are capitalized.

4.4.8 Further, the Authority notes that in case of greenfield developments, the airport operator would have to wait for a considerable length of time before getting the return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalise. It was with this consideration that the Authority had earlier provided financing allowance in initial stages to such airports. The Authority notes that Calicut International Airport is a brownfield airport and has lower construction and traffic risk for new construction at the airport. It may also be noted that financing allowance has never been provided in the case of other airports such as DIAL, MIAL and KIAL. Based on the above analysis, the Authority proposes to disallow the Financing allowance of ₹ 7.47 crores.

4.4.9 The Authority also noted that common assets within the Terminal Building were allocated by AAI

between Aeronautical and Non-aeronautical categories in the proportion of 95%: 5% (Aeronautical assets: Non-aeronautical assets) or 94%:6% in some cases, during the Second Control Period. The Authority is of the opinion that the terminal building ratio of 5%-6% (Non-aeronautical area to total area) is lesser as compared to the similar airports such as Varanasi, Amritsar, Trichy, Raipur etc. Hence, the Authority proposes to consider a revised ratio of 8% (Non-aeronautical area to total area) as reasonable, in line with the optimum terminal building ratio of 8%-12% as approved for similar airports (as also explained in section 6 below). Accordingly, the common assets within the Terminal Building during the Second Control Period have been apportioned by the Authority in the ratio of 92% : 8% (Aeronautical assets : Non-aeronautical assets).

- 4.4.10 The Authority proposes to consider the actual Capex as ₹ 226.60 crores (after making the above adjustments on Financing allowance and common assets re-segregation) for the purpose of true up for the Second Control Period. The same is detailed in the table below:

Table 7: Capital additions as proposed by the Authority for True up of the Second Control Period

(₹ Crores)

S. No	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Runways & Aprons	25.71	0.00	2.8	3.08	0.00	31.59
2	Roads, Bridges & culverts		0.00	0.00	0.05	2.66	2.71
3	Building – Terminal	0.00	0.00	66.83	2.86	0.00	69.69
4	Building – Residential	0.00	0.00	0.00	0.18	0.00	0.18
5	Other Building – unclassified	0.05	0.00	0.00	4.76	0.00	4.81
6	Electrical installations	7.06	5.95	40.87	25.83	0.00	79.71
7	Security Fencing	0.00	0.00	0.00	0.42	0.00	0.42
8	Boundary Wall – Operational	0.00	0.00	0.00	2.80	0.00	2.80
9	Computers and Peripherals	0.00	0.04	0.00	0.00	0.00	0.04
10	Computer Software	0.04	0.0	0.03	0.0	0.0	0.07
11	Machinery	0.36	0.84	1.97	1.21	0.84	5.21
12	Tools & Equipment	0.05	0.80	9.63	0.71	0.00	11.18
13	Office Equipment	0.10	0.08	0.11	0.19	0.0	0.48
14	Furniture & Fixtures – Trolleys	0.00	0.00	0.45	0.00	0.01	0.46
15	Vehicles	0.13	0.01	6.12	0.00	0.00	6.26
16	Vehicles - Cars & Jeeps	0.34	0.15	0.19	0.08	0.00	0.76
17	Office Equipment	0.11	0.13	0.00	0.23	0.00	0.48
18	ATM Furniture	0.00	0.05	1.45	0.80	0.00	2.30
19	X-Ray Equipment	0.00	0.00	0.00	3.10	0.00	3.10
20	CFT & Fire- fighting equipment	0.00	0.22	0.31	3.83	0.0	4.36
	Total	33.95	8.25	130.77	50.12	3.51	226.60

- 4.4.11 The depreciation on the above Capex has been recomputed by the Authority as ₹ 80.91 crores and the same is presented in table below.

Table 8: Depreciation proposed by the Authority for True up of the Second Control Period

(₹ Crores)

S. No	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Runways & Aprons	1.62	2.22	2.24	2.33	2.42	10.83
2	Roads, Bridges & culverts	0.15	0.15	0.45	0.45	0.56	1.75
3	Building – Terminal	1.86	1.86	2.32	4.13	4.15	14.33
4	Building – Residential	0.07	0.07	0.07	0.08	0.08	0.38
5	Other Building – unclassified	0.40	0.39	0.39	0.52	0.55	2.25
6	Electrical installations	6.00	5.47	5.06	7.58	9.05	33.16
7	Security Fencing	0.00	0.00	0.00	0.00	0.04	0.04
8	Boundary Wall – Operational	0.04	0.04	0.12	0.14	0.39	0.74
9	Computers and Peripherals	0.01	0.02	0.02	0.01	0.01	0.07
10	Computer Software	0.00	0.01	0.01	0.01	0.01	0.04
11	Machinery	0.53	0.28	0.34	0.45	0.42	2.01
12	Tools & Equipment	0.17	0.19	0.53	0.88	0.92	2.70
13	Office Furniture	0.03	0.03	0.06	0.08	0.09	0.28
14	Furniture & Fixtures – Trolleys	0.00	0.00	0.07	0.15	0.15	0.37
15	Vehicles	0.07	0.08	0.12	0.83	0.82	1.92
16	Vehicles - Cars & Jeeps	0.04	0.09	0.09	0.11	0.11	0.43
17	Office Equipment	0.01	0.03	0.05	0.05	0.10	0.24
18	ATM Furniture	0.09	0.09	0.17	0.34	0.41	1.10
19	X-Ray Equipment	0.20	0.20	0.20	0.40	0.32	1.32
20	CFT & Fire- fighting equipment	1.32	1.30	1.31	1.44	1.58	6.94
	Total	12.60	12.51	13.63	20.00	22.17	80.91

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

Table 9: RAB proposed by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Opening RAB (1)	119.72	137.06	132.80	249.94	280.06	
Additions (2) (refer Table 7)	33.95	8.25	130.77	50.12	3.51	226.60
Disposal/Transfers (3)	4.00	0.00	0.00	0.00	0.00	0.00
Depreciation (4) (Refer Table 8)	12.60	12.51	13.63	20.00	22.17	80.91
Closing RAB (5) = [(1) + (2) – (3) – (4)]	137.06	132.80	249.94	280.06	261.40	

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Average RAB = [(1) + (5)]/2	128.39	134.93	191.37	265.00	270.73	

4.5 True up of Non-aeronautical revenues

4.5.1 Non-aeronautical revenue approved by the Authority in the Tariff Order for Second Control Period is ₹ 269 Crores (a)

4.5.2 Actual Non-aeronautical revenue earned during the Second Control Period is ₹ 194 Crores (b)

4.5.3 Variance/ shortfall in Non-aeronautical revenue (a-b): ₹ 75 Crores (28%)

Table 10: Non-aeronautical revenue approved by the Authority for the Second Control Period
(₹ Crores)

S. No	Revenue categories	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Restaurant & Snack Bar	1.8	2.1	2.4	2.7	3.2	12.2
2	Stalls	1.1	1.3	1.5	1.7	2	7.6
3	Duty Free Shops	13.6	15.5	17.7	20.2	24.2	91.2
4	Advertisement	1.9	2.1	2.3	2.5	3.0	11.8
5	Land Rent	1.6	1.8	1.9	2	2.2	9.5
6	Space Rent	14.9	16.4	18	19.9	23.8	93
7	Airport Admission Ticket	1.2	1.3	1.4	1.6	1.9	7.4
8	Car Parking	1.9	2	2.2	2.5	3	11.6
9	Miscellaneous Income (including Cargo handling)	3.6	3.9	4.3	4.8	5.7	22.3
10	Interest from Staff Advances and Other Income	0.4	0.4	0.5	0.5	0.6	2.4
11	Profit on Sale of Fixed Assets	-	-	-	-	-	0.0
	Total	42.0	46.8	52.2	58.4	69.6	269.0

Table 11: Actual Non-aeronautical revenue for the Second Control Period submitted by Calicut International Airport

(₹ Crores)

S. No.	Revenue categories	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Restaurant & Snack Bar	1.1	1.4	8.0	3.6	0.8	15.0
2	TR Stalls	10.6	11.9	15.7	18.6	4.1	60.9
3	Duty Free Shops	14.8	15.6	16.8	16.4	3.6	67.1
4	Advertisement (Hoarding and display)	1.9	1.7	1.0	0.5	0.1	5.3

S. No.	Revenue categories	2016-17	2017-18	2018-19	2019-20	2020-21	Total
5	Land Rent	1.1	0.8	0.8	0.6	0.6	3.8
6	Space Rent	0.0	0.0	0.0	0.0	0.0	0.0
7	Airport Admission Ticket	0.9	1.4	1.2	0.7	0.2	4.4
8	Car Parking	2.0	2.1	2.2	2.4	0.5	9.2
9	Miscellaneous Income (including Cargo handling)	1.6	2.0	2.9	2.4	0.5	9.5
10	Interest from Staff Advances and Other Income	-	-	-	-	-	0.0
11	Profit on Sale of Fixed Assets	-	-	-	-	-	0.0
12	Building Non-residential	3.5	4.4	4.3	2.8	2.8	17.8
13	Car Rentals	0.1	0.2	0.3	0.3	0.1	1.0
	Total	37.6	41.6	53.2	48.3	13.3	194.0

Notes:

- There are wide variances between projections and actuals for revenues from Restaurants & TR stall. In FY 2018-19, the revenue under Restaurants is much higher than the other years (at ₹ 8 Crores) and also the projections.
- There are variances in the other revenue streams (like advertisement, car parking, admission ticket etc.), which appears on account of drop in the revenues in FY 2020-21 due to COVID-19.
- Land rent and space rent: There is a severe drop in land rent across all the years, even prior to COVID-19. Further, Space rent is NIL across all the years, although it was projected at ₹ 93 Crores.
- There are new revenue streams like Building Non-residential and Car rentals, which were not projected earlier.

Authority's examination and proposal for Non-aeronautical revenue as part of tariff determination for the Second Control Period:

4.5.4 The Authority noted that the above variances between the projected and actual Non-aeronautical revenues is on account of the following factors:

- **Restaurants and Snack bar:** The revenue projected under this category was for ₹ 12.20 Crores, whereas the actual revenue is ₹ 15 Crores (which is higher than the projections). The revenue for the year 2018-19 was higher than the other years (at ₹ 8 Crores) due to award of Master concession for Food & Beverage (F&B) outlets to the party Lite Bite Foods Private Limited @ ₹ 0.62 Crores. This agreement was in place only for the FY 2018-19 and after that it was terminated in August 2019. Thereafter a new F&B Master Concession awarded in February 2020.
- **TR Stall:** As informed by AAI, there has been some minor reclassifications/ remapping of ledgers pertaining to TR Stalls, Space Rent and Building Non-residential. Hence, the projections for TR Stall and Space rent (totaling to ₹ 100.60 Crores) should be compared with the actual revenue under TR stall and Building Non-residential (totaling to ₹ 78.70 Crores). The variance (between projections and actuals) of ₹ 21.90 Crores is largely attributable to the impact of COVID-19 pandemic in the FY 2020-21 (as the variance in this FY is alone ₹ 18.90 Crores).

- There are variances in the other revenue streams (like advertisement, car parking, admission ticket etc.), which is also on account of drop in the revenues in FY 2020-21 due to the impact of COVID-19 pandemic.
- **Duty Free Shop:** The total amount projected for the Second Control Period is ₹ 91.2 Crores whereas the actual revenue under this category is ₹ 67.1 Crores. The variance is largely attributable to the drop in the revenue in the FY 2020-21 (₹ 20.6 Crores) which was on account of COVID-19 pandemic.
- **Land Rent and Space Rent:** The reason for drop in the land rent revenue is on account of land rent rates been frozen for a period of 5 years commencing from FY 2017-18 to FY 2021-22, without any escalation, vide AAI Letter No. AV21012/58/2016/-LM/710 dated December 4, 2017. The actual Space rent has been categorized under the category Building Non-residential.
- **Car Rentals:** Car Rental revenue was projected under Miscellaneous income, whereas the same has now been shown as a separate revenue stream.

4.5.5 On a consideration of the above factors, the Authority is of the view that the variance between the projected and actual Non-aeronautical revenue is largely on account of the adverse impact caused due to the COVID-19 pandemic during the FY 2020-21, which is also evidenced by the facts and the figures.

4.5.6 Further, the Authority is of the view that AAI may provide its comments pertaining to the reclassification/ remapping of the ledgers relating to TR Stall, Space Rent and Building Non-residential, as explained under section 4.5.4 above.

4.5.7 The Authority proposes to consider the actual Non-aeronautical revenue as presented in table 11 for the purpose of True up for the Second Control Period.

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

4.6.1 O&M expenses approved by the Authority in the Tariff Order for Second Control Period is ₹ 324.10 Crores. (a)

4.6.2 Actual O&M expenses for the Second Control Period is ₹ 490.80 Crores. (b)

4.6.3 Variance (b-a): ₹ 166.70 Crores (34%).

Table 12: O&M expenses approved in the Tariff Order for the Second Control Period

(₹ Crores)							
S. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Pay roll expenditure of Calicut International Airport	20.1	25.1	26.9	28.7	30.7	131.5
2	Expenditure for Calicut International Airport employee's retirement benefits allocated at CHQ	4.4	4.7	5	5.4	5.8	25.3
A	Total Payroll expenditure (1+2)	24.5	29.8	31.9	34.1	36.5	156.8
3	Administrative and General Expenditure	3.9	4.3	4.7	5.1	5.6	23.6
4	Apportionment of administration & General expenditure of CHQ/RHQ	10.9	11.4	12	12.6	13.2	60.1
B	Total Administration and General expenditure (3+4)	14.8	15.7	16.7	17.7	18.8	83.7

S. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
C	Repair & Maintenance Expenditure (Total)	7.8	8.6	9.5	10.4	11.5	47.8
5	Power Charges	7	7	7	7	7	35
6	Water Charges		0	0	0	0	0
D	Utility and Outsourcing Expenditure (5+6)	7	7	7	7	7	35
E	Other Outflows	0.1	0.1	0.2	0.2	0.2	0.8
	Total (A+B+C+D+E)	54.2	61.2	65.3	69.4	74	324.1

Table 13: Actual O&M expenses incurred for the Second Control Period submitted by Calicut International Airport

(₹ Crores)

S. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Pay roll expenditure of Calicut International Airport	21.9	23.0	26.4	32.9	35.2	139.4
2	Apportionment of CHQ/ RHQ expenses	0.8	4.1	8.5	7.6	8.0	29.1
A	Total Payroll expenditure (1+2)	22.7	27.1	34.9	40.6	43.2	168.5
3	Administrative and General Expenditure	3.6	7.0	8.5	10.2	11.2	40.5
4	Apportionment of administration & General expenditure of CHQ/RHQ	17.1	22.9	28.8	38.1	40.0	147.0
B	Total Administration and General expenditure (3+4)	20.7	29.9	37.4	48.3	51.2	187.5
C	Repair & Maintenance Expenditure (Total)	12.6	22.3	17.8	15.3	16.8	84.7
5	Power Charges	5.1	6.2	9.1	11.3	11.3	43.2
6	Water Charges	0.0	0.4	0.5	0.4	0.4	1.8
7	Other charges	0.4	0.5	0.7	0.8	0.8	3.2
D	Utility and Outsourcing Expenditure (5+6+7)	5.5	7.1	10.4	12.5	12.6	48.1
E	Other Outflows	0.2	0.5	0.6	0.5	0.1	1.9
	Total (A+B+C+D+E)	61.8	87.0	101.0	117.1	123.9	490.8

Notes:

- There is a huge variance in Admin & Gen expenses of CHQ/ RHQ of ₹ 147 Crores as against projected expenses of ₹ 60.10 Crores, due to which the total Administration expenses is much higher than the projections.
- The Actual repairs and maintenance expenses of ₹ 84.7 Crores is much higher than the projected expense of ₹ 47.80 Crores

Authority's examination and proposal for O&M expenses as part of tariff determination for the current control period:

4.6.4 The Authority examined the variances between the projected and actual O&M expenses and has noted

the following:

- **Payroll expenses:** Increase in Payroll expenses is attributable to the impact of pay scale revision effected from January 1, 2017. The Authority noted that payroll expenses for FY 2020-21 has been increased by 7% based on the payroll expenses of FY 2019-20 for Non-CHQ/ RHQ staff and that by 5% for CHQ/ RHQ payroll expenses. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposes to estimate the payroll costs for FY 2020-21 by applying 0% growth rate over the FY 2019-20 payroll costs (for both Non- CHQ/ RHQ and CHQ/ RHQ payroll costs).
- The Authority examined the actual **Admin & General expenses and repair & maintenance expenses** for the Second Control Period and noted the following:
 - **CHQ/ RHQ allocation** –. The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Calicut International Airport and other airports and noted the following:
 - All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) is allocated to all the AAI airports.
 - All the above expenses including employee benefit expenses are allocated in the ratio of revenues earned by each Airport.
 - Expenses also include one-time or extraordinary items which have been allocated to all AAI airports and are not absorbed by CHQ/ RHQ.
 - Revenues earned from JVCs like DIAL and MIAL are not netted off against the above expenses.
 - Some common expenses are apportioned between ANS and Airport in the ratio of 50:50, although certain expenses like seminars for Airport development are likely to benefit ANS more than the Airport services.
 - Expenses such as legal costs, interest/ penalties are related to some specific airports. However, these have been allocated to the common pool and apportioned to all the AAI airports.

The Authority is of the view that the above process followed by AAI for allocating the expenses is not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. Towards this objective, the Authority has examined the major expense components of CHQ and RHQ for the FY 2018-19 and FY 2019-20 (as the expense wise break up was available only for the above 2 financial years and not for the earlier years) and had proposed the following methodology for allocation of expenses:

Table 14: Analysis of Significant expenses of CHQ for FY 2018-19

(₹ Crores)

S. No	Description of expense	Amount	Authority's Proposed segregation criteria
1.	CAD – Govt. pension	157.78	This is an Employee centric spend and it should be allocated based on headcount of past employees in Calicut Airport. Not considered for allocation, as the quantum of spend is extraordinary in nature.

S. No	Description of expense	Amount	Authority's Proposed segregation criteria
2.	Grant to AAIIOI	7.00	Not considered for allocation, as Officers Institute is in Delhi only and not relatable to other Airports
3.	Employee perks	44.09	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.
4.	Legal expenses (arbitration costs)	12.21	This expense should be analysed case-wise and allocated only to specific airports and hence it has not been considered for allocation.
5.	Interest/ penalties to GoI	22.47	This spend should be allocated based on the responsibility assigned for compliances at CHQ/ RHQ/ Station level Hence, the same is not considered for allocation.
6.	Seminar expenses	8.13	This spend is presently allocated in the ratio of 50:50 (ANS: Airport). However, as the seminars are likely to benefit ANS more than the Airport, the same has been revised to 75% ANS and 25% Airport.
7	Foreign travel expenses (for conferences)	9.27	his spend is presently allocated in the ratio of 50:50 (ANS: Airport). However, as the conferences are likely to benefit ANS more than the Airport, the same has been revised to 75% ANS and 25% Airport.

Table 15: Analysis of Significant expenses of CHQ for FY 2019-20

(₹ Crores)

S. No	Description of expense	Amount	Authority's Proposed segregation criteria
1.	PRP provisions	115.32	It is an Employee centric spend and it should be allocated based on headcount of the employees in Calicut Airport. The provision has not been considered for allocation, as the details of employee headcount is not available.
2.	PLI Non-Executive staff	67.37	This spend should be allocated based on headcount of non-Executive staff of Calicut Airport. It has not been considered for allocation, as the details of employee headcount is not available.
3.	Employee perks	45.75	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.
4.	Grant to AAIIOI	2.00	Not considered for allocation, as Officers Institute is in Delhi only and not relatable to other Airports
5.	Interest/ penalties to GoI	4.68	This spend should be allocated based on the responsibility assigned for compliances at CHQ/ RHQ/ Station level Hence, the same is not considered for allocation.
6.	Seminar expenses	8.29	This spend is presently allocated in the ratio of 50:50 (ANS: Airport). However, as the seminars are likely to benefit ANS more than the Airport, the same has been revised to 75% ANS and 25% Airport.

Table 16: Analysis of Significant expenses of RHQ for FY 2018-19 & 2019-20

(₹ Crores)

S. No	Description of expense	Amount	Authority's Proposed segregation criteria
FY 2018 – 19			
1.	CAD – Govt. pension	17.87	It is an Employee centric spend and it should be allocated based on headcount of past employees in Calicut Airport. Not considered for allocation, as the quantum of spend is extraordinary in nature.
2.	Employee perks	8.88	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.
FY 2019-20			
1.	CAD – Govt. pension	35.10	It is an Employee centric spend and it should be allocated based on headcount of past employees in Calicut Airport. Not considered for allocation, as the quantum of spend is extraordinary in nature.
2.	Employee perks	8.59	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.

Allocation of CHQ/RHQ expenses for FY 2020-21

The Authority noted that AAI has estimated the allocable expenses of CHQ & RHQ for FY 2020-21 by increasing the amount of expenses allocated for FY 2019-20 by 5%. However, the Authority notes that the following spends of FY 2019-20 can be further rationalized, considering the current Covid-19 pandemic scenario.

- Travel expenses (Inland and International) - Travel was restricted during the FY 2020-21 due to Covid-19 and most of the meetings was conducted virtually. Accordingly, the Authority proposes to consider only 10% of the total travel expense of FY 2019-20 for FY 2020-21.
- Seminar expenses for Airport development - Seminar expenses for FY 2019-20 have not been considered for FY 2020-21, as the same was conducted virtually.

Based on the above methodology, the Authority has derived the revised allocation and the same is presented in Table 17. Also, based on its analysis and re-allocation of CHQ & RHQ spends for FY 2018-19, FY 2019-20 and FY 2020-21, the Authority has proportionately reduced the amount allocated by AAI for FY 2016-17 and FY 2017-18 and the same is also explained in the table below:

Table 17: Re-allocation of CHQ/ RHQ – Admin and Gen expenses for the Second Control Period

(₹ Crores)

Details	2016-17	2017-18	2018-19	2019-20	2020-21	Total
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) (A)	17.14	22.91	28.84	38.08	40.00	146.97
Revised allocation of CHQ/RHQ expenses by the Authority (B)	17.14	22.91	18.24	24.45	23.57	
Variance (A-B)	0	0	10.6	13.63	16.42	
Variance %			36.75	35.79	41.06	

Details	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Ratio applied for proportionate reduction for based on variance % of subsequent tariff years – (C) (Refer Note below)	35%	35%				
Reduction based on above ratio (A*C) = D	6.00	8.02				
Revised allocation of CHQ and RHQ expenses (A-D)	11.14	14.89	18.24	24.45	23.57	92.29

Note: The proportionate ratio for FY 2016-17 and FY 2017-18 (35%) has been arrived at based on the average of the variances noted in the FY 2018-19 (36.75%) and of FY 2019-20 (35.79%). The variance for FY 2020-21 has not been considered as the same is an exceptional event year.

The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalise the CHQ/ RHQ expenses being allocated to Calicut International Airport. The Authority recommends AAI to adopt a rational approach while allocating CHQ and RHQ expenses to the individual airports. Also, AAI may include revenues earned from JVCs such as DIAL and MIAL and net off such revenues against the above expenses.

- **Upkeep expenses (categorised under Admin and General expenses)**– The Authority noted that Upkeep expenses have been increased by 10% in the projections made by AAI for the Second Control Period. However, the Authority reviewed the tender document of the contractor (MESS - for upkeep expenses) and noted that the contracted rates are effective for 3 years and the same is extendable for 2 more years. Further, there is no clause on escalation of the contracted rates during the above period. The Authority noted that the actual Upkeep expenses for FY 2016-17 was for ₹ 1.56 Crores and the same has increased to ₹ 5.57 Crores in FY 2020-21. The Authority proposes to consider the actual expenses of FY 2017-18 (of ₹ 3.03 Crores) as the base, as the same is reflective of the increase in the minimum wages revised by the GoI and other contractual requirements w.r.t maintenance of necessary equipment. Considering the actual expenses of FY 2017-18 as the base, the Authority proposes to consider a 10% increase in the upkeep expenses for the last 3 tariff years of the Second Control Period viz., FY 2018-19 to FY 2020-21.

Further, the Authority would like to draw reference to its Decision No. 11b on O&M expenditure that the Authority expects AAI to reduce O&M expenditure over a period of time. In view of this decision, the Authority notes that sufficient effort has not been initiated by AAI to reduce its O&M expenses.

- **Repairs and Maintenance expenses:** The Authority noted that projection for Repairs and Maintenance expenses were done for the Second Control Period by escalating the expenses by 10% year on year. However, the actual expenses under each head under Repairs and Maintenance (Civil, Electrical, Computer, IT, Electronics, etc.) has increased across all the tariff years in the Second Control Period. Further, the spend during FY 2017-18 (₹ 22.28 Crores) is phenomenally higher than the other years (variance ranging from 25% to 45%).

The Authority is of the view that AAI should estimate its expenses towards Repairs & Maintenance based on an analysis of its need, essentiality and in accordance with the other physical conditions (such as the current Covid-19 pandemic), such that the variance between the projections and the

actual expenses is within the acceptable limits (such as say within 10%)

The Authority is of the view that Calicut International Airport has constructed NIAB, performed recarpeting of runway and installed electrical fittings during the Second Control Period. As most of these assets are newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposes to allow repairs and maintenance expenses for the Second Control Period to the extent of 6% of the RAB (opening net block of the Second Control Period) and the same is shown in Table 19.

- **CSR spend:** Calicut International Airport has shown the amount contributed towards CSR activities (amounting to ₹ 3.34 Crores) as Aeronautical expenses, categorized under Admin and General expenses. The Authority has considered the statutory requirement under the Companies Act, 2013 for computation of CSR expenses, which states that CSR spend should be 2% of the of the average net profits of the company made during the 3 immediately preceding financial years. The Authority derived the Regulatory Profit (before tax) for each tariff year in the Second Control Period for Calicut International Airport and the CSR that may be allowed as per the above mandatory spend values (2% of the average profits) and the same is presented in the table below:

Table 18: CSR expenses allowed by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	2016-17*	2017-18*	2018-19*	2019-20	2020-21	Total
Total Revenue from Regulated Services (a)	43.25	82.18	118.95	127.79	33.07	405.24
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	11.28	12.48	15.96	14.49	3.99	58.20
Operating Expenditure (other than CSR included in Admin & Gen Expenses) = (c)	50.32	64.25	79.15	100.98	102.36	397.05
Working Capital Interest (d)	0	0	0	0	0.46	0.46
Depreciation (e)	12.6	12.51	13.63	20	22.17	80.91
Total Expenditure (c)+(d) +(e) = (f)	62.92	76.76	92.78	120.98	124.99	478.42
Regulatory operating Profit before tax (a) + (b) - (f) = (g)	-8.39	17.9	42.13	21.3	-87.93	-14.98
Average of previous 3 FY's				17.21	27.11	
2.00% of the average PBT (mandatory spend) = (c)	-	-	-	0.34	0.54	0.88
Amount spent by AAI towards CSR = (d)	-	0.58	1	0.88	0.88	3.34
Amount higher than the mandatory spends = (d-c)	-	0.58	1	0.54	0.34	2.45
Amount allowed by Authority towards CSR	-	-	-	0.34	0.54	0.88

* Note: The Authority notes that Calicut Airport had incurred losses (average of the immediately preceding 3 Financial Years) for the 1st 3 tariff years such as FY 2016-17, FY 2017-18 and FY 2018-19. Hence, the Authority proposes not to allow CSR for the above years.

As shown in the above table, the Authority proposes to allow CSR expenses of ₹ 0.88 crores for the Second Control Period.

4.6.5 The revised Operation and Maintenance expenses considered by the Authority for the Second Control Period is provided in the table below:

Table 19: O&M expenses as proposed by the Authority for True up of the Second Control Period
(₹ Crores)

S. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Pay roll expenditure	21.9	23.01	26.38	32.91	32.91	137.11
2	Apportionment of CHQ/RHQ expenses	0.78	4.12	8.52	7.65	7.65	28.72
A	Total Payroll expenditure (1+2)	22.68	27.13	34.9	40.56	40.56	165.83
3	Administrative and General Expenditure	3.58	6.41	7.08	7.96	8.75	33.78
4	Apportionment of administration & General expenditure of CHQ/RHQ	11.14	14.89	18.24	24.45	23.57	92.29
B	Total Administration and General expenditure (3+4)	14.72	21.3	25.32	32.41	32.32	126.06
C	Repair & Maintenance Expenditure	7.18	8.22	7.97	15	16.8	55.17
5	Power Charges	5.13	6.22	9.14	11.33	11.33	43.15
6	Water Charges	0.05	0.36	0.53	0.41	0.41	1.76
7	Other charges	0.36	0.52	0.69	0.77	0.84	3.18
D	Utility and Outsourcing Expenditure (5+6+7)	5.54	7.1	10.36	12.51	12.58	48.09
E	Other Outflows	0.2	0.5	0.6	0.5	0.1	1.9
	Total (A+B+C+D+E)	50.32	64.25	79.15	100.98	102.36	397.05

4.7 True up of Return on Land

4.7.1 Calicut International Airport has claimed the following Return on land for the First and Second Control Period:

Table 20: Return on land claimed by Calicut International Airport for the First and Second Control Period

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Return on Land claimed for Second Control Period	2.98	2.98	3.09	2.82	1.66	13.53
Return on Land claimed for First Control Period	24.68	0	0	0	0	24.68
Total						38.21

Authority's examination and proposal for Return on Land as part of tariff determination for the current control period

4.7.2 The Order No. 42/ 2018-19 dated March 5, 2019 which prescribes methodology for computing Return on Land states that the same will take effect from the next Control Period (section 4.1.8 of the said order). Hence, the Authority proposes to allow Return on Land only for the Third Control Period and not for the earlier Control Periods.

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

4.8.1 Based on analysis as detailed in the earlier sections, the Authority has derived the ARR for True up of the Second Control Period which is enumerated in the table below:

4.8.2 The Authority also reviewed the computation of Working Capital (WC) requirements by AAI and re-computed the WC requirements and interest thereon based on the actual Aeronautical revenue earned during the Second Control Period and the revised Operation and Maintenance (O&M) expenses derived by the Authority and presented in Table 19. The revised interest on working capital is presented the table below:

Table 21: ARR proposed by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	Formula	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Average RAB	a	128.39	134.93	191.37	265.00	270.73	990.42
FRoR	b	14%	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	17.97	18.89	26.79	37.10	37.90	138.66
O&M expenses (refer Table 19)	(d)	50.32	64.25	79.15	100.98	102.36	397.05
Depreciation (refer Table 8)	(e)	12.6	12.51	13.63	20	22.17	80.91
Working Capital Interest	(f)	0	0	0	0	0.46	0.46
Total Expenditure	(g) = (d) + (e) + (f)	62.92	76.76	92.78	120.98	127.09	480.53
Less 30% NAR	(h)	11.28	12.48	15.96	14.49	3.99	58.2
(Excess)/Shortfall of FCP	(i)	-12.86	0	0	0	0	-12.86
ARR	(j) = (c)+(g)-(h)+(i)	56.75	83.17	103.61	143.59	161.00	548.13
Actual Aero Revenue	(k)	43.25	82.18	118.95	127.79	33.07	405.24
Shortfall	(l) = (j-k)	13.50	0.99	-15.34	15.80	125.83	140.79
Compounding rate		14%	14%	14%	14%	14%	
Compounding factor	(m)	1.93	1.69	1.48	1.30	1.14	
Compounded value of Shortfall (including Return on shortfall) as of 31 March 2022	(l*m)	26.00	1.67	-22.72	20.53	143.45	168.93

The Authority based on its analysis of the various building blocks of the Second Control Period has assessed the shortfall of ₹ 168.93 crores for the Second Control Period to be adjusted to the ARR of the Calicut Airport for the Third Control Period (as against the ARR proposed by the Calicut Airport).

4.9 Authority's proposal regarding True up for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to

true up of the Second Control Period for Calicut Airport

- 4.9.1 The Authority proposes to consider capital additions as detailed in Table 7 for true up of the Second Control Period.
- 4.9.2 The Authority proposes to consider Aeronautical depreciation as mentioned in Table 8 for true up for the Second Control Period.
- 4.9.3 The Authority proposes to consider RAB as per Table 9 for true up for the Second Control Period.
- 4.9.4 The Authority proposes to consider the Non-aeronautical revenues as presented in Table 11 for the purpose of true up of the Second Control Period.
- 4.9.5 The Authority proposes to consider the O&M expenses as detailed in Table 19 for the purpose of true up of the Second Control Period.
- 4.9.6 The Authority proposes to disallow Return on Land claimed by Calicut International Airport for the First and Second Control Period, in accordance with its Order 42/ 2018-19 dated March 5, 2019.
- 4.9.7 The Authority proposes to consider ARR and Shortfall as detailed in Table 21 for true up of the Second Control Period for Calicut Airport.

5. TRAFFIC FOR THE THIRD CONTROL PERIOD

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

5.1.1 The historical passenger traffic³ and ATM at the airport has been shown in the table below:

Table 22: Historical passenger and ATM traffic at Calicut Airport

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2009-10	2,05,940	16,57,929	18,63,869	2,907	14,708	17,615
2010-11	2,30,227	18,29,752	20,59,979	2,884	13,812	16,696
2011-12	2,26,761	19,82,955	22,09,716	2,700	13,450	16,150
2012-13	3,11,387	19,62,316	22,73,703	3,639	13,094	16,733
2013-14	2,85,462	21,79,200	24,64,662	2,694	13,526	16,220
2014-15	2,96,911	22,86,829	25,83,740	3,099	14,382	17,481
2015-16	3,66,413	19,39,134	23,05,547	3,474	13,786	17,260
2016-17	4,39,980	22,11,108	26,51,088	3,585	16,141	19,726
2017-18	5,10,972	26,28,460	31,39,432	4,263	20,647	24,910
2018-19	6,12,572	27,48,275	33,60,847	7,897	18,841	26,738
2019-20	5,29,354	27,00,556	32,29,910	6,695	18,660	25,355
2020-21	1,89,140	7,12,872	9,02,012	3,327	5,611	8,938

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

Table 23: Traffic growth rates proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates						
2021-22	75.0%	60.0%	63.5%	60.0%	55.0%	57.0%
2022-23	30.0%	45.0%	41.2%	20.0%	40.0%	32.0%
2023-24	25.0%	35.0%	32.7%	15.0%	30.0%	24.6%
2024-25	15.0%	25.0%	22.8%	10.0%	20.0%	16.7%
2025-26	12.0%	20.0%	18.4%	8.0%	18.0%	14.9%
Traffic						
2021-22	3,23,750	9,69,600	12,93,350	5,120	7,750	12,870
2022-23	4,20,875	14,05,920	18,26,795	6,144	10,850	16,994
2023-24	5,26,094	18,97,992	24,24,086	7,066	14,105	21,171
2024-25	6,05,008	23,72,490	29,77,498	7,772	16,926	24,698

³ Source: Traffic News from AAI website

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2025-26	6,77,609	28,46,988	35,24,597	8,394	19,973	28,367
Total	25,53,336	94,92,990	1,20,46,326	34,496	69,604	1,04,100

5.1.3 AAI submitted that the passenger traffic and aircraft movement projections are based on past trends, econometric and regression analysis, and various economic factors including policy framework. However, additionally, AAI has factored in expected disruption from COVID-19 pandemic in forecasting a de-growth in passenger traffic and ATM for FY 2020-21.

5.2 Authority's analysis of Calicut International Airport's submission of Traffic for the Third Control Period

5.2.1 As part of its examination of AAI's forecast of traffic at Calicut Airport, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2009-10 to FY 2019-20 (10-year CAGR), FY 2014-15 to FY 2019-20 (5-year CAGR) and FY 2016-17 to FY 2019-20 (3-year CAGR).

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

Table 24: CAGR for passenger traffic and ATM

Particulars	10-year CAGR	5-year CAGR	3-year CAGR
Passengers:			
Domestic	9.9%	12.3%	6.4%
International	5%	3.4%	6.9%
Total Passenger Traffic	5.7%	4.6%	6.8%
ATM:			
Domestic	8.7%	16.7%	23.1%
International	2.4%	5.3%	5.0%
Total ATM	3.7%	7.7%	8.7%

5.2.3 The Authority has noted the wide variation in traffic in the recent past, which causes CAGR for 5-year period to be the highest for Domestic passenger profile.

5.2.4 AAI has submitted a de-growth of 65.05% and 77.56% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21 (over previous Financial Year), due to the adverse impact of COVID-19 pandemic on the domestic and international travels. Similarly, AAI has submitted a de-growth of 52% and 73%, respectively in domestic ATM and international ATM for FY 2020-21 (over previous Financial Year).

AAI assumes the traffic volume to revive in FY 2021-22 and have projected a growth of 75% in domestic passenger traffic and of 60% in international passenger traffic. Likewise, AAI has projected a growth of 60% in domestic ATM and 55% in international ATM in FY 2021-22.

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

The revised traffic forecasts have been computed by the Authority, after considering the study and

analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

5.3.1 Airport International Council (ACI)

ACI in its report on March 25, 2021 has projected the following air passenger traffic outlook for the year 2021:

- *The impact of the COVID-19 crisis is forecasted to remove additional **4.7 billion passengers** by year end 2021 compared to the projected baseline (pre-COVID-19 forecast for 2021), representing a **decline of 47.5%** of global passenger traffic. Compared to 2019 level, the decline is forecasted to be **-43.6%** by year end. The first quarter of 2021 is expected to show little signs of improvement compared to Q4 2020. As the vaccination rollout and vaccine uptake increases, more passengers are expected to return to travel with the biggest surge in Q3 and Q4 of 2021.*
- *Similar to 2020, **Europe** and the **Middle East** are forecasted to remain the two most impacted regions with declines of **58.1%** and **58.9%**, respectively, compared to the projected baseline due to their high dependence on international travel and connectivity which are recovering at a slower pace than domestic travel.*
- *Following its early start to recovery, **Asia-Pacific** will outperform all other regions in each quarter of 2021 and is forecasted to end the year 2021 with an **estimated traffic loss of 40.3%** compared to the projected baseline (a decline of 35.1% compared to 2019 level). Driven by the combination of a fast-recovering US domestic market and strong vaccination rate, **North America** forecast for 2021 will significantly improve and the region is expected to end the year 2021 at **-43.5%** compared to the projected baseline (or -39.9% compared to 2019 level).*
- *As prospects for a recovery in 2021 begin to emerge, ACI World estimates that different regions of the world will recover at different rates. At country level, markets having **significant domestic traffic are expected to recover in 2023 to pre-COVID-19 levels** while markets with a significant share of international traffic are unlikely to return to 2019 levels until 2024 or even 2025 in some cases.*

5.3.2 International Air Transport Association (IATA)

IATA in its report as on April 21, 2021 has reported the following air passenger traffic:

- *Travel restrictions, including quarantines, have killed demand. IATA estimates that travel (measured in revenue passenger kilometres or RPKs) will recover to 43% of 2019 levels over the year. While that is a 26% improvement on 2020, it is far from a recovery. Domestic markets will improve faster than international travel. Overall passenger numbers are expected to reach 2.4 billion in 2021. That is an improvement on the nearly 1.8 billion who travelled in 2020, but well below the 2019 peak of 4.5 billion.*
- ***International passenger traffic** remained 86.6% down on pre-crisis levels over the first two months of 2021. Vaccination progress in developed countries, particularly the US and Europe, is expected to combine with widespread testing capacity to enable a return to some international travel at scale in the second half of the year, reaching 34% of 2019 demand levels.*
- ***Domestic passenger traffic** is expected to perform significantly better than international markets. This is driven by strong GDP growth (5.2%), accumulated consumer disposable cash during lockdowns, pent-up demand, and the absence of domestic travel restrictions. IATA estimates that domestic markets could recover to 96% of pre-crisis (2019) levels in the second half of 2021. That would be a 48% improvement on 2020 performance.*

5.3.3 CAPA India

CAPA India in its report in May 2021 has stated the following with respect to recovery of passenger traffic:

- *Demand uncertainty has been exacerbated by the second wave. Despite a likely washout for much of 1HFY2022, domestic airline traffic for the full year (FY2022) will nevertheless be higher than the approximately 53 million passengers in FY2021.*
- *However, the impact will be more pronounced in the international sector which will be seriously impaired by travel bans and advisories announced by several countries on outbound Indian travellers. And it will take significant time to restore the confidence of inbound tourist and business travellers in India as a destination. Pre-Covid traffic is only expected to be restored by FY2024*

5.3.4 International Civil Aviation Organisation (ICAO)

ICAO in its report in July 2021 has outlined that international passenger traffic suffered a dramatic 60 per cent drop over 2020 as a result of the COVID-19 pandemic. It has further predicted the following air traffic outlook for the year 2021:

- *ICAO indicated that the near-term outlook is for prolonged depressed demand, with downside risks to global air travel recovery predominating in the first quarter of 2021, and likely to be subject to further deterioration.*
- *It expects any improvement in the global picture only by the second quarter of 2021, though this will still be subject to the effectiveness of pandemic management and vaccination roll out.*

5.4 Conclusion on traffic forecasts based on the above assumptions

5.4.1 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecast/data published by ACI, IATA, CAPA India and ICAO cited in section 5.3 above for arriving at the revised traffic projections.

5.4.2 In the Authority's opinion, the impact of COVID-19 pandemic on the global aviation market is still prevalent and is expected to continue till the end of FY 21-22. However, with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry is expected to recover at a better pace in the next few years.

5.4.3 Considering the positive outlook of the GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority is of the view that domestic passenger traffic and ATM will revert to pre-Covid levels (of FY 2019-20) by FY 2022-23.

5.4.4 Further, considering the predictions done by the above agencies (as cited in 5.3 above), the Authority is of the view that international passenger traffic and ATM will revert to pre COVID-19 levels (of FY 2019-20) by FY 2023-24.

5.4.5 Considering the trend in the growth of traffic data, the Authority considers the growth rate of 25% in domestic passenger traffic and of 15% in domestic ATM for the FY 2023-24, as projected by AAI in their MYTP to be appropriate.

5.4.6 The Authority proposes to use the 5-year CAGR for projecting domestic and international passenger traffic and ATM for the last 2 tariff years (FY 2024-25 & FY 2025-26), as it believes that the 5-year CAGR represents normalized economic scenarios, weeding out short-term macro-economic

fluctuations.

5.4.7 The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Third Control Period has been given in the table below:

Table 25: Traffic proposed to be considered by the Authority for the Third Control Period

Domestic Passengers (Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
As submitted by Calicut Airport	3.24	4.21	5.26	6.05	6.78
As proposed by the Authority	3.22	5.31	6.63	7.45	8.36
Calicut Airport's submission as a % of FY 2019-20 traffic	61%	80%	99%	114%	128%
Proposed traffic as per Authority as a % of FY 2019-20 traffic	61%	100%	125%	141%	158%
International Passengers (Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
As submitted by Calicut Airport	9.7	14.06	18.98	23.72	28.47
As proposed by the Authority	11.41	18.25	27.37	28.31	29.27
Calicut Airport's submission as a % of FY 2019-20 traffic	36%	52%	70%	88%	105%
Proposed traffic as per Authority as a % of FY 2019-20 traffic	42%	68%	100%	105%	108%
Total passengers (Lacs)					
Total as per Calicut Airport's submission	12.94	18.27	24.24	29.77	35.25
Total (Domestic and International) proposed by the Authority	14.63	23.56	34	35.76	37.63
Proposed total traffic as per Calicut Airport's submission as a % of FY 2019-20 traffic	40%	57%	75%	92%	109%
Proposed total traffic as per Authority as a % of FY 2019-20 traffic	45%	73%	105%	111%	117%
Domestic ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Domestic ATM submitted by Calicut Airport	5.12	6.14	7.07	7.77	8.39
Domestic ATM proposed by the Authority	5.49	6.70	7.70	8.99	10.49
Calicut Airport's submission as a % of FY 2019-20 ATM	76%	92%	106%	116%	125%
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	82%	100%	115%	134%	157%
International ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
International ATM submitted by Calicut Airport	7.75	10.85	14.11	16.93	19.97

International ATM proposed by the Authority	8.98	13.47	19.66	20.70	21.80
Calicut Airport's submission as a % of FY 2019-20 ATM	42%	58%	76%	91%	107%
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	48%	72%	105%	111%	117%
Total ATM					
Total ATM (Domestic and International) as per Calicut Airport's submission	12.87	16.99	21.18	24.7	28.36
Total ATM (Domestic and International) proposed by the Authority	14.47	20.17	27.36	29.69	32.29
Calicut Airport's submission as a % of FY 2019-20 total ATM	51%	67%	84%	97%	112%
Proposed total ATM as per Authority as a % of FY 2019-20 ATM	57%	80%	108%	117%	127%

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

5.5 Authority's Proposal regarding Traffic for the Third Control Period

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

5.5.1 The Authority proposes to consider the ATM and passenger traffic for the Third Control Period for Calicut Airport as per Table 25.

5.5.2 The Authority proposes to true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

6. REGULATORY ASSET BASE (RAB) AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

6.1 Background

6.1.1 AAI has proposed the capital expenditure of ₹ 86.19 Crores for Calicut International Airport for the Third Control Period. The Authority has presented its analysis on this chapter in the following order:

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

6.2 Allocation of Gross block of assets in to Aeronautical and Non-aeronautical

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

Table 26: Allocation of opening gross block of assets for April 1, 2021 between Aeronautical and Non-aeronautical as per AAI

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Runway, Taxi Way & Apron	175.03	-	-	175.03	-	-	-	175.03	100.00%
Road, Bridge & Culverts.	10.32	-	1.05	9.26	-	-	-	9.26	89.73%
Terminal Building	153.69	3.62	0.02	8.90	141.15	131.59	9.56	140.49	91.41%
Buildings - Temporary	0.02	-	-	0.02	-	-	-	0.02	100.00%
Buildings - Residential	4.70	1.14	-	0.18	3.38	3.29	0.09	3.47	73.83%
Security Fencing	0.43	-	-	0.43	-	-	-	0.43	100.00%
Boundary Wall – Operational	5.63	-	-	5.63	-	-	-	5.63	100.00%
Buildings - Others	13.07	0.22	-	12.14	0.72	0.68	0.04	12.81	98.01%
Computers & Peripherals	0.96	0.38	-	0.54	0.04	0.04	0.00	0.58	60.42%
Computer Software	0.52	0.20	-	0.25	0.07	0.07	-	0.33	63.46%
Machinery	34.50	7.70	-	21.54	5.26	4.85	0.41	26.39	76.49%
Tools & Equipment	15.45	0.28	-	11.90	3.27	3.02	0.25	14.92	96.57%
Office Furniture	1.28	0.31	-	0.83	0.14	0.13	0.01	0.96	75.00%

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-aero		
Vehicles	7.63	0.21	-	7.29	0.13	0.12	0.00	7.41	97.12%
Vehicles - Cars & Jeeps	1.41	0.26	-	1.03	0.12	0.11	0.00	1.14	80.85%
Electrical Installations	145.76	5.27	-	120.66	19.83	18.20	1.63	138.87	95.27%
Office Equipment	0.67	0.09	0.01	0.39	0.18	0.18	0.00	0.57	85.07%
ATM Furniture	5.26	1.01	0.00	2.11	2.15	2.01	0.14	4.12	78.33%
X-Ray Equipment	8.15	-	-	8.15	-	-	-	8.15	100.00%
CFT & Firefighting equipment	25.71	-	-	25.71	-	-	-	25.71	100.00%
Furniture & Fixtures – Trolleys	0.46	-	-	0.46	-	-	-	0.46	100.00%
Total	610.67	20.69	1.08	412.48	176.42	164.28	12.14	576.76	94.45%

Authority's analysis on Allocation of assets

6.2.2 The Authority has examined that the common and the cost of electrical installations within the terminal building have been apportioned by Calicut International Airport in the terminal building ratio of 5% and 6% (in some cases) during the FY 2019-20 and FY 2018-19 respectively. Considering the passenger profile at the Airport, the Authority is of the opinion that the terminal building ratio of 5% (Non-aeronautical area to total area) is lesser as compared to the similar airports such as Varanasi, Amritsar, Trichy, Raipur etc. Hence, the Authority proposes to consider a revised terminal building ratio of 8% as reasonable, in line with the optimum terminal building ratio of 8%-12% as approved for similar airports for apportioning the common assets within the terminal building.

6.2.3 Also, as mentioned under section 4.4.6 (under true up of Capital Expenditure), the Authority has disallowed Financing allowance of ₹ 7.47 crores (₹ 2.27 crores towards project on recarpeting of runway and ₹ 5.20 crores towards construction of New International Arrival Block (NIAB), capitalized by Calicut Airport during the Second Control Period, as the allowance was not claimed by Calicut Airport as part of their MYTP submitted for the Second Control Period and the Authority had also not approved the same in the Tariff Order issued for Calicut Airport for the Second Control Period. Further, the capital expenditure was carried out by the Calicut Airport using their own funds and the Authority is of the view that such an allowance is essentially the Interest During Construction (IDC) for a project and should be provided only on the debt borrowings availed for execution of a project.

6.2.4 Based on the above observations, the Authority has presented the allocation of Gross Block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical as per table below:

Table 27: Allocation of Opening Gross Block of Assets as on April 1, 2021 between Aeronautical and Non-aeronautical proposed by the Authority

(₹ Crores)

Asset Category	Total Assets	ANS Assets	Non-aero Assets)	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Runways, Taxiways & aprons	172.75	-	-	172.75	-	-	-	172.75	100.00%
Roads, Bridges & culverts	10.32	-	1.05	9.26	-	-	-	9.26	89.79%
Buildings – Terminal	148.49	3.62	0.02	3.70	141.15	130.05	11.10	133.75	90.07%
Buildings – Temporary	0.02	-	-	0.02	-	-	-	0.02	100.00%
Buildings – Residential	4.70	1.14	-	0.18	3.38	3.29	0.09	3.47	73.87%
Security Fencing	0.43	-	-	0.43	-	-	-	0.43	100.00%
Boundary Wall – Operational	5.63	-	-	5.63	-	-	-	5.63	100.00%
Buildings – Others	13.07	0.22	-	12.14	0.72	0.68	0.04	12.81	98.01%
Computers & Peripherals	0.96	0.38	-	0.54	0.04	0.04	0.00	0.58	60.15%
Computer Software	0.53	0.20	-	0.25	0.08	0.07	0.01	0.33	61.93%
Machinery	34.50	7.70	-	21.54	5.26	4.85	0.41	26.39	76.50%
Tools & Equipment	15.43	0.28	-	11.90	3.25	3.02	0.24	14.92	96.67%
Office Furniture	1.29	0.31	-	0.83	0.15	0.13	0.02	0.96	74.67%
Vehicles	7.62	0.21	-	7.29	0.12	0.12	0.00	7.41	97.26%
Vehicles - Cars & Jeeps	1.40	0.26	-	1.03	0.11	0.11	0.00	1.14	81.53%
Electrical Installations	145.76	5.27	-	120.66	19.83	17.99	1.83	138.66	95.13%
Office Equipment	0.71	0.09	0.01	0.39	0.21	0.18	0.03	0.57	80.87%
ATM Furniture	5.26	1.01	0.00	2.11	2.15	2.01	0.14	4.12	78.26%
X-Ray Equipment	8.15	-	-	8.15	-	-	-	8.15	100.00%
CFT & Firefighting equipment	25.71	-	-	25.71	-	-	-	25.71	100.00%
Furniture & Fixtures – Trolleys	0.46	-	-	0.46	-	-	-	0.46	100.00%
Total	603.20	20.69	1.08	405.00	176.42	162.53	13.93	567.53	94.09%

6.3 Capital expenditure proposed for Third Control Period

6.3.1 AAI has proposed capital expenditure of ₹ 86.19 Crores for the Third Control Period for Calicut International Airport. Project-wise capital expenditure as submitted by Calicut International Airport has been shown in table below:

Table 28: Project wise Capital Expenditure submitted by AAI for Calicut Airport for Third Control Period

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total Capex (incl. FA)
	Runways, Taxiway & Aprons				
1	Civil minor capital works	2022-23	4.30	-	4.30
2	Grading of area beyond runway basic strip	2021-22	2.55	-	2.55
3	RMS	2022-23	2.00	-	2.00
4	Runways – Financing Allowance	2024-25	-	0.99	0.99
	Road, Bridges & Culverts				
5	Widening of existing perimeter road.	2022-23	4.00	-	4.00
6	Widening of present low lying area road	2023-24	5.00	-	5.00
7	Runway recarpeting work	2024-25	20.00	-	20.00
	Terminal Building				
8	Internal Modifications and Integration of International and Domestic Terminal Buildings	2022-23	6.00	-	6.00
9	Contract for Civil Minor Capital Works in Terminal building	2023-24	1.50	-	1.50
10	Chairs	2023-24	1.60	-	1.60
	Buildings- Others				
11	Reconstruction of equipment staging area and associated works	2021-22	1.05	-	1.05
	Computers & Peripherals				
12	Desktop/laptop		0.29	-	0.29
13	Printer		0.04	-	0.04
14	Scanner		0.003	-	0.00
15	IT		0.02	-	0.02
	Furniture and Fittings				
16	Trolleys	2024-25	0.58	-	0.58
	Vehicles				
17	Diesel Bowser		0.09	-	0.09
18	Ambulance		1.67	-	1.67
	Vehicles - Cars & Jeeps				
19	Bolero		0.99	-	0.99
20	Tata407		0.35	-	0.35
21	Thar Jeep		0.43	-	0.43
22	Maruti Swift		0.20	-	0.20
	Electrical Installations (Security related)				

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre- operative expenses etc)	Financing allowance (FA)	Total Capex (incl. FA)
23	Replacement of Chillers - Phase -I	2022-23	3.00	-	3.00
24	Replacement of Chillers - Phase -II	2023-24	3.50	-	3.50
25	Provision of PBB for Additional Bays	2022-23	2.50	-	2.50
26	Provision of Runway Centreline lights	2023-24	4.00	-	4.00
27	Installation of PBB for bay	2021-22	2.54	-	2.54
28	Body Scanner	2021-22	10.00	-	10.00
29	SCCTV	2023-24	1.00	-	1.00
30	FID	2024-25	1.00	-	1.00
31	PA	2025-26	1.00	-	1.00
	X-Ray Equipment				
32	XBIS	2022-23	3.00	-	3.00
	Fire Fighting Equipment/ CFT				
33	ASFT	2022-23	1.00	-	1.00
	GRAND TOTAL		85.20	0.99	86.19

Authority's analysis of capitalisation of Aeronautical Expenditure for the Third Control Period

6.3.2 While analyzing the MYTP regarding Capex for the Third Control Period, the Authority has taken into consideration the reduced traffic due to Covid-19 pandemic and has appropriately rationalized the proposed Capex as given in the following paragraphs.

6.3.3 The Authority noted that the Capex projections have been made broadly towards:

- **Roads, Bridges and Culverts** of ₹ 29 Crores – this majorly comprises of recarpeting of Runway for ₹ 20 Crores (planned in the FY 2023-24), which is undertaken once in every 5 years as per the Works Manual of AAI. Further, AAI has engaged an independent consultant (IIT Palakkad) for designing the recarpeting and strengthening the layer of the Runway. AAI is of the view that there is a probability of increase in the PCN value as the consequence of the above strengthening and recarpeting of the Runway and hence the same is capitalized. The Authority is in agreement with the above projections and justification provided by AAI for capitalization of re-carpeting and strengthening of the Runway of the Calicut Airport.
- **Electrical installations (Security related)** of ₹ 28.54 Crores – this comprises of supply items such as Body Scanners (₹ 10 Crores), Secured closed Circuit television (SCCTV), Flight Information Display (FID), Public Address system (PA) (of ₹ 3 Crores) and installation of Passenger Boarding Bridges (for ₹ 4.54 Crores) and replacement of chillers, provision of Runway center lights (for ₹ 10.50 Crores).
- Further, the Airport system department of AAI Calicut Airport have reviewed and revised the projections done towards Body Scanners from ₹ 10 Crores to ₹ 13.30 Crores and revised downwards the projection done towards X-Ray machine from ₹ 3 Crores to ₹ 1.53 Crores.

6.3.4 The initial Capex submitted by Calicut Airport in the MYTP for the Third Control Period was for ₹ 86.18 crores. Considering the above revisions in the projections done towards Body Scanners and X-Ray machines, the revised Capex submitted by Calicut Airport for the Third Control Period is as shown below:

Table 29: Revised capex submitted by Calicut Airport for Third Control period

		(₹ Crores)
S. No	Particulars	Amount
A.	Initial Capex submitted by Calicut Airport	86.19
B.	Increase in the projections done towards body scanners (₹ 13.30 Cr. - ₹ 10 Cr.)	3.30
C.	Decrease in the projections done for X-Ray machine (₹ 3 Cr. - ₹ 1.53 Cr.):	1.47
D.	Revised Capex submitted by Calicut Airport (A+B-C):	88.02

The Authority considers the revised Capex submitted by Calicut Airport for the Third Control Period as ₹ 88.02 crores.

- 6.3.5 The Authority noted that for the above Capital expenditure projections, the process of Administrative Approval and Expenditure Sanction (AAES) has not been initiated by AAI and the same is proposed to be undertaken at the time of commencement of the above projects.
- 6.3.6 Further, the size of the individual projects is below the threshold limit defined under the AERA Guidelines for conducting the Airport Users Consultation Committee (AUCC) meeting. Hence, requirement of conducting AUCC meeting for such projects does not arise.
- 6.3.7 The Authority reviewed the AUCC meeting conducted at Calicut Airport on January 30, 2017 with respect to the project on strengthening and re-carpeting of the Runway and noted that the Chairman of the Committee (President of Malabar Chamber of Commerce) appeared to be from a non-technical background (w.r.t Aviation), though the meeting was convened to discuss about the Airside works.
- 6.3.8 The Authority is of the view that AAI should follow the Guidelines of AERA on the AUCC Consultation Protocol and include all stakeholders in the meeting. Further, AAI may consider including a panel of Experts/ Cross Functional Team having requisite technical expertise in the Aviation sector in such meetings where the subject matter is about development of the Airside area.
- 6.3.9 The Authority also observed a decline in the passenger traffic in FY 2019-20 (being a pre-Covid year) and noted that the above decline was on account of cessation of Haj flight operations in Calicut Airport in the year 2015 (as the Haj base was shifted to Cochin Airport) and stoppage of wide-bodied aircraft operations during the period 2015 to 2019. Though the operation of wide-bodied aircraft resumed in the year 2020, the same was stopped after an air crash in August 2020.
- 6.3.10 Considering the above facts and the current slowdown in passenger traffic due to COVID-19, the Authority asked Calicut Airport to re-visit its capital expenditure projections and include only the essential capital expenses.
- 6.3.11 The Authority noted that AAI has re-reviewed its Capex projections and confirmed that the major capital expenses are only towards strengthening & re-carpeting of the Runway and Electrical installations (Security related), the essentiality of which have been explained under section 6.3.3.
- 6.3.12 The Authority noted that Calicut International Airport has claimed Financing allowance of ₹ 0.99 crores towards project on recarpeting of Runway in the MYTP submitted for the Third Control Period. However, as the capital expenditure is proposed to be carried out by AAI using their own funds and not with any debt funds, the Authority proposes to disallow the above Financing allowance (as also

explained under section 6.2.3).

6.3.13 The Authority noted that the common assets within the Terminal Building have been apportioned in the Terminal Building ratio of 95%:5% (Aero: Non-aero area). The Authority is of the view that the 5% presently allocated towards Non-aeronautical area is less as compared to similar airports such as Trichy, Raipur, Varanasi and Amritsar. Hence, the Authority proposes to consider Non-aeronautical area as 8%, in line with the optimum terminal building ratio of 8%-12% as approved in similar airports. The Authority has accordingly reworked the proportion of common assets within the Terminal building in the ratio of 92%:8% (Aero: Non-aero area) and the same is presented in the table below.

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

Table 30: Capital Expenditure (Project wise) proposed by the Authority for Third Control Period

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc.)	Financing allowance (FA)	Total Capex (incl. FA)
	Runways, Taxiway & Aprons				
1	Civil minor capital works	2022-23	4.30	-	4.30
2	Grading of area beyond runway basic strip	2021-22	2.55	-	2.55
3	RMS	2022-23	2.00	-	2.00
	Road, Bridges & Culverts				
5	Widening of existing perimeter road.	2022-23	4.00	-	4.00
6	Widening of present low lying area road	2023-24	5.00	-	5.00
7	Runway recarpeting work	2024-25	20.00	-	20.00
	Terminal Building				
8	Internal Modifications and Integration of International and Domestic Terminal Buildings	2022-23	5.81	-	5.81
9	Contract for Civil Minor Capital Works in Terminal building	2023-24	1.45	-	1.45
10	Chairs	2023-24	1.55	-	1.55
	Buildings- Others				
11	Reconstruction of equipment staging area and associated works	2021-22	1.05	-	1.05
	Computers & Peripherals				
12	Desktop/laptop		0.29	-	0.29
13	Printer		0.04	-	0.04
14	Scanner		0.003	-	0.00
15	IT		0.02	-	0.02
	Furniture and Fittings				
16	Trolleys	2024-25	0.58	-	0.58

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc.)	Financing allowance (FA)	Total Capex (incl. FA)
	Vehicles				
17	Diesel Bowser		0.09	-	0.09
18	Ambulance		1.67	-	1.67
	Vehicles - Cars & Jeeps				
19	Bolero		0.99	-	0.99
20	Tata407		0.35	-	0.35
21	Thar Jeep		0.43	-	0.43
22	Maruti Swift		0.20	-	0.20
	Electrical Installations				
23	Replacement of Chillers - Phase -I	2022-23	3.00	-	3.00
24	Replacement of Chillers - Phase -II	2023-24	3.50	-	3.50
25	Provision of PBB for Additional Bays	2022-23	2.50	-	2.50
26	Provision of Runway Centreline lights	2023-24	4.00	-	4.00
27	Installation of PBB for bay	2021-22	2.54	-	2.54
28	Body Scanner	2021-22	13.30	-	13.30
29	SCCTV	2023-24	1.00	-	1.00
30	FID	2024-25	1.00	-	1.00
31	PA	2025-26	1.00	-	1.00
	X-Ray Equipment				
32	XBIS	2022-23	1.53	-	1.53
	Fire Fighting Equipment/ CFT				
33	ASFT	2022-23	1.00	-	1.00
	GRAND TOTAL		86.74	-	86.74

The Authority proposes to consider capitalization of Aeronautical expenditure for Calicut Airport for the Third Control Period as ₹ 86.74 crores.

6.4 Depreciation for the Third Control Period

Calicut International Airport's submission of Depreciation for the Third Control Period

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

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

6.4.3 The depreciation amount proposed by Calicut International Airport for the Third Control Period has been presented in the table below.

Table 31: Depreciation proposed by Calicut International Airport for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Depreciation on opening gross block	21.80	21.36	20.35	19.97	19.45	102.92
Depreciation on additions from FY 2021-22 to FY 2025-26	0.96	2.88	4.39	6.12	7.38	21.72
Total	22.76	24.24	24.74	26.09	26.82	124.65

Authority's analysis of Depreciation for the Third Control Period

- 6.4.4 The Authority has noted the submission of two different rates of depreciation by Calicut International Airport for different periods under consideration (Second and Third Control Period) and has duly examined these for consideration towards determination of Aeronautical tariff.
- 6.4.5 The Authority observed that the depreciation rates used by Calicut International Airport for the Third Control Period are in line with the rates as per the Order No. 35 dated January 12, 2018 and Amendment No. 01 to Order No. 35. Therefore, the Authority does not propose any change in the depreciation schedule.
- 6.4.6 Considering the above depreciation rates, changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposes the following depreciation for the Third Control Period.

Table 32: Depreciation proposed by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Depreciation on opening gross block	21.58	21.15	20.13	19.75	19.23	101.83
Depreciation on additions from FY 2021-22 to FY 2025-26	0.51	2.54	5.41	7.13	7.57	23.16
Total	22.09	23.68	25.54	26.87	26.79	124.99

The Authority proposes to consider depreciation for Calicut Airport for the Third Control Period as ₹ 124.99 crores.

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

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

- 6.5.1 Calicut International Airport has submitted RAB for the Third Control Period as follows:

Table 33: RAB submitted by AAI for Calicut Airport for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Opening RAB	270.05	268.62	272.47	260.66	257.20	
Additions	21.34	28.09	12.93	22.62	1.20	86.19
Disposal/Transfers	0	0	0	0	0	0.00
Depreciation	22.76	24.24	24.74	26.09	26.82	124.65
Closing RAB	268.62	272.47	260.66	257.20	231.58	
Average RAB	269.33	270.55	266.57	258.93	244.39	

Authority's analysis of RAB for the Third Control Period

6.5.2 The Authority proposes to adopt the Aeronautical capitalization in accordance with Table 30 and the depreciation amounts in accordance with Table 32.

6.5.3 Combining all its propositions, RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Third Control Period is as follows:

Table 34: RAB proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Opening RAB (1) (refer table 9)	261.40	252.18	266.68	269.97	248.73	
Additions (2) (refer table 30)	12.87	38.19	28.85	5.63	1.20	86.74
Disposal/Transfers (3)	0	0	0	0	0	0.00
Depreciation (4) (refer table 32)	22.09	23.68	25.54	26.87	26.79	124.99
Closing RAB (5) = [(1) +(2) - (3) - (4)]	252.18	266.68	269.98	248.73	223.14	
Average RAB = [(1) + (5)]/2	256.79	259.43	268.33	259.35	235.93	

The Authority proposes to consider Average RAB for the Calicut Airport for the Third Control Period as detailed in Table 34.

6.6 Authority's proposal regarding Regulatory Asset Base and Depreciation for the Third Control Period

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

6.6.1 The Authority proposes allocation of gross block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical assets as detailed in Table 27.

6.6.2 The Authority proposes to adopt the Capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 30.

6.6.3 To true up the Capital expenditure on actuals at the time of determination of tariff for Fourth Control

Period.

6.6.4 To reduce (adjust) 1% of the project cost from the ARR in case any particular capital project is not completed/capitalised as per the approved capitalisation schedule. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period

6.6.5 The Authority proposes depreciation as per Table 32 for the Third Control Period.

6.6.6 The Authority proposes to consider average RAB for the Third Control Period for Calicut Airport as per Table 34.

7. FAIR RATE OF RETURN (FRoR)

7.1 Calicut International Airport's submission of FRoR for the Third Control Period

- 7.1.1 AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority for other AAI airports, including Chennai, Jaipur, Patna among others.
- 7.1.2 AAI has submitted that all project financing activities are undertaken centrally by AAI's Corporate Office, New Delhi. The funds are then apportioned among airports by the Corporate Office, New Delhi.

7.2 Authority's analysis of FRoR for the Third Control Period

- 7.2.1 The Authority has recognized that AAI's capital structure may not be regarded as an efficient one as 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 and leveraging AAI's credit ratings.
- 7.2.2 The Authority had earlier considered the Fair Rate of Return at 14% for similar airports such as Jaipur, Patna, Chennai etc. Accordingly, the Authority proposes to consider the Fair Rate of Return at 14%.
- 7.2.3 Based on the above, the Authority proposes to consider FRoR as per table below for Calicut Airport for the Third Control Period:

Table 35: Fair Rate of Return proposed to be considered by the Authority for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Fair Rate of Return	14.00%	14.00%	14.00%	14.00%	14.00%

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

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

- 7.3.1 The Authority proposes to consider FRoR for Calicut Airport for the Third Control Period as per Table 35.

8. INFLATION

8.1. Calicut International Airport's submission on inflation for the Third Control Period

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

8.2. Authority's analysis on inflation

8.2.1 The Authority proposes to consider median of WPI inflation forecasts (WPI Non-food Manufactured products) for the FY 2021-22 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69" published by the Reserve Bank of India (RBI). An extract of the results of RBI's annual forecast of WPI inflation (WPI Non-food Manufactured products) for the 4th quarter of FY 2020-21 and the 1st, 2nd, 3rd and 4th quarters of FY 2021-22 is reproduced below:

- 4th Quarter of FY 2020-21 – 5.5%
- 1st Quarter of FY 2021-22 – 6.2%
- 2nd Quarter of FY 2021-22 – 5.8%
- 3rd Quarter of FY 2021-22 – 4.3%
- 4th Quarter of FY 2021-22 – 2.6%

8.3. Authority's proposal relating to inflation

Based on the material before it and its analysis, the Authority proposes:

8.3.1 To consider WPI inflation at 4.9% (average of the median WPI inflation of the 4th quarter of FY 2020-21 and 1st, 2nd, 3rd, 4th quarters of FY 2021-22) based on the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69" published by the Reserve Bank of India (RBI) for the Third Control Period (refer Para 8.2.1) for Calicut International Airport in estimating the escalation rates of different items of Operating Expenditure and Revenues as applicable.

9. NON-AERONAUTICAL REVENUE

9.1 Calicut International Airport's submission of Non-aeronautical revenue for the Third Control Period

9.1.1 AAI has forecasted revenue from services other than Aeronautical services as below:

Table 36: Non-aeronautical revenue projections submitted by Calicut International Airport

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1. Trading concessions						
Restaurant / snack bars	1.09	1.64	2.84	3.62	4.46	13.66
T.R. stall	5.58	8.41	14.50	18.52	22.81	69.82
Hoarding & display	0.16	0.25	0.43	0.54	0.67	2.05
2. Rent and services						
Land leases	0.57	0.61	0.66	0.71	0.76	3.31
Building (residential)	-	-	-	-	-	-
Building (non-residential)	3.05	3.28	3.52	3.79	4.07	17.71
3. Miscellaneous						
Duty Free	4.91	7.4	12.76	16.30	20.07	61.45
Car rentals	0.10	0.15	0.25	0.32	0.40	1.21
Car parking	0.71	1.07	1.85	2.36	2.91	8.90
Admission tickets	0.20	0.31	0.53	0.68	0.84	2.56
Other income/ sale of scrap etc.	0.73	1.09	1.89	2.41	2.97	9.09
Total	17.10	24.21	39.23	49.27	59.95	189.76

9.1.2 The growth rates assumed by AAI have been presented in the table below.

Table 37: Growth rates assumed by Calicut International Airport for Non-aeronautical revenue

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1. Trading concessions					
Restaurant / snack bars	36.26%	50.66%	72.50%	27.74%	23.11%
T.R. stall	36.26%	50.66%	72.50%	27.74%	23.11%
Hoarding & display	36.26%	50.66%	72.50%	27.74%	23.11%
2. Rent and services					

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
Land leases*	0.00%	7.50%	7.50%	7.50%	7.50%
Building (residential)	-	-	-	-	-
Building (non-residential)	7.50%	7.50%	7.50%	7.50%	7.50%
3. Miscellaneous					
Duty Free	36.26%	50.66%	72.50%	27.74%	23.11%
Car rentals	36.26%	50.66%	72.50%	27.74%	23.11%
Car parking	36.26%	50.66%	72.50%	27.74%	23.11%
Admission tickets	36.26%	50.66%	72.50%	27.74%	23.11%
Other income/ sale of scrap etc.	36.26%	50.66%	72.50%	27.74%	23.11%

* There is no increase in land lease rentals projected for the first tariff year (FY 2021-22). Hence, the growth rate is shown as “zero” in FY 2021-22.

9.2 Authority’s analysis of Non-aeronautical revenue for the Third Control Period

- 9.2.1 The Authority notes that AAI’s projection of Non-aeronautical revenues for the Third Control Period for Calicut Airport (₹ 189.76 crores) is lesser than the actual revenue reported by Calicut Airport for true up of the Second Control Period (which is at ₹ 194 crores). Further, the Authority notes that while the projections towards Operation and Maintenance expenses for the Third Control Period have increased substantially, the Non-aeronautical revenues have been projected less as compared to the Second Control Period. The Authority would like the stakeholders to comment on the above aspect.
- 9.2.2 The Authority examined the Non-aeronautical revenues for FY 2019-20 submitted by AAI and found the figures to be in line with the trial balances for FY 2019-20. The figures for FY 2020-21 are provisional and subject to audited financials.
- 9.2.3 AAI has proposed revenues from Concession Agreements for FY 2021-22 and FY 2022-23 at the rate of 80% of FY 2019-20. Thereafter, an annual increase of 4%, 8% and 12% for revenues from Trading Concessions and Miscellaneous have been proposed for the last 3 tariff years such as FY 2023-24, FY 2024-25 and FY 2025-26, factoring in the growth in traffic for the above tariff years by assuming the passenger traffic for FY 2019-20 as the base. The Authority noted that the above waiver in the contractual revenues (20%) from the Concessionaires is allowed by AAI vide its Commercial Circular No. 24/ 2020 and 26/ 2020, considering the impact of COVID-19 on the Aviation sector.
- 9.2.4 The Authority examined the commercial area earmarked by Calicut Airport for letting out to the Concessionaires and the actual area let out to the Concessioners during the FY 2016-17 to FY 2020-21 and noted a wide variance in the actual space let out to the Concessionaires ranging up to 60%. Details of the year-wise variances have been tabled below:

Table 38: Underutilization of earmarked commercial space

Year	Earmarked area in Sq. m. (a)	Allotted area in Sq. m. (b)	Under Utilization % (a-b)/a%
2016-17	1,468.06	1,314.32	10%
2017-18	1,550.71	622.53	60%
2018-19	1,897.95	1,757.72	7%
2019-20	2,101.95	1,324.46	37%
2020-21	2,105.00	903.33	57%

Further the Authority noted that the proportion of Non-aeronautical area to total terminal building area is only 5% (terminal building ratio) as against the ratio of Non-aeronautical area of other similar airports such as Trichy, Raipur, Varanasi and Amritsar.

Also, the Authority noted that a New International Arrival Block (NIAB) with terminal building area of 18,877.84 Sq.m. was operationalized during the FY 2018-19. It was planned to set up duty free shops in NIAB, as detailed in the minutes of the AUCC meeting held on January 30, 2017.

9.2.5 Considering the above underutilization, the Authority recommends that Calicut Airport should initiate measures for letting out the earmarked space within the existing Terminal Building and also utilize the commercial space available in the NIAB.

9.2.6 With the optimal utilization of the earmarked commercial space, the Authority believes that Calicut Airport will be able to increase the proportion of Non-aeronautical area to the total terminal building area from the existing 5% (which is very low as compared to the similar Airports) to around 8% to 12% (which is the optimum terminal building ratio as approved in similar airports).

9.2.7 With the progressive utilization of the earmarked commercial space and assuming that passenger traffic for the last three tariff years would revert to the pre COVID-19 levels (of FY 2019-20), the Authority proposes to consider a growth rate of 15% in the revenues (based on the passenger traffic forecasted by the Authority) from Trading Concessions and Miscellaneous for the years 2023-24 to 2025-26.

9.2.8 The revised Non-aeronautical revenues as per Authority's examination have been presented in the table below:

Table 39: Non-aeronautical revenues proposed by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1. Trading concessions						
Restaurant / snack bars	1.23	2.12	4.40	4.63	4.87	17.26
T.R. stall	6.31	10.84	22.49	23.65	24.89	88.18
Hoarding & display	0.19	0.32	0.66	0.69	0.73	2.59
2. Rent and services						
Land leases	0.57	0.61	0.66	0.71	0.76	3.31

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Building (residential)	-	-	-	-	-	-
Building (non-residential)	3.05	3.28	3.52	3.79	4.07	17.71
3. Miscellaneous						
Duty Free	5.55	9.54	19.80	20.82	21.91	77.62
Car rentals	0.11	0.19	0.39	0.41	0.43	1.53
Car parking	0.80	1.39	2.87	3.02	3.18	11.24
Admission tickets	0.23	0.40	0.82	0.87	0.91	3.23
Other income/ sale of scrap etc.	0.82	1.41	2.93	3.08	3.24	11.49
Total	18.86	30.09	58.55	61.66	64.99	234.15

9.2.9 The revised growth rates as per Authority's examination have been presented in the table below:

Table 40: Growth rates in Non-aeronautical revenue proposed by the Authority

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1. Trading concessions					
Restaurant / snack bars	46.81%	68.53%	117.98%	5.15%	5.27%
T.R. stall	46.81%	68.53%	117.98%	5.15%	5.27%
Hoarding & display	46.81%	68.53%	117.98%	5.15%	5.27%
2. Rent and services					
Land leases	0%	7.5%	7.5%	7.5%	7.5%
Building (residential)	-	-	-	-	-
Building (non-residential)	7.5%	7.5%	7.5%	7.5%	7.5%
3. Miscellaneous					
Duty Free	46.81%	68.53%	117.98%	5.15%	5.27%
Car rentals	46.81%	68.53%	117.98%	5.15%	5.27%
Car parking	46.81%	68.53%	117.98%	5.15%	5.27%
Admission tickets	46.81%	68.53%	117.98%	5.15%	5.27%
Other income/ sale of scrap etc.	46.81%	68.53%	117.98%	5.15%	5.27%

9.3 Authority's proposal regarding Non-aeronautical revenues for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Non-aeronautical revenue for the Third Control Period.

9.3.1 The Authority proposes to consider Non-aeronautical revenues for the Third Control Period for Calicut Airport in accordance with Table 39.

10. OPERATION AND MAINTENANCE EXPENDITURE

10.1 Calicut International Airport's submission of Operation and Maintenance expenditure for the Third Control Period

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

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

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

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

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

10.1.5 The summary of Aeronautical expenses proposed by Calicut Airport for the Third Control Period has been presented in the table below:

Table 41: Operation and Maintenance (O&M) expenditure submitted by Calicut International Airport
(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	37.68	40.31	43.14	46.16	49.39	216.67
Payroll Costs - CHQ/RHQ	8.44	8.86	9.30	9.77	10.25	46.61
Repair & Maintenance	18.47	20.32	22.35	24.58	28.05	113.76
Utilities & Outsourcing Expenses	12.67	12.77	12.87	12.98	13.10	64.39
Admin. & Other Expenses - Excluding CHQ/RHQ	12.20	13.33	14.58	15.95	17.45	73.51
Admin. & Other Expenses - CHQ/RHQ	41.99	44.09	46.29	48.61	51.04	232.02
Other Outflows	0.18	0.26	0.34	0.42	0.49	1.69
Total Operating Expenditure	131.63	139.93	148.86	158.46	169.77	748.65

10.1.6 The summary of growth rates assumed by AAI for the operation and maintenance expenses have been presented in the table below:

Table 42: Growth rates in O&M expenditure submitted by Calicut International Airport

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

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Payroll costs – CHQ/ RHQ	5%	5%	5%	5%	5%
Repair & Maintenance – Civil, Electrical, IT and others	10.00%	10.00%	10.00%	10.00%	10.00%
Utilities (Power and water charges)	0%	0%	0%	0%	0%
Outsourcing Charges and Consumption and Stores and Spares	10.00%	10.00%	10.00%	10.00%	10.00%
Admin & General expenses – excluding CHQ/ RHQ	10.00%	10.00%	10.00%	10.00%	10.00%
Admin & General expenses - CHQ and RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Other Outflows	63.51%	41.25%	32.70%	22.83%	18.37%

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

Table 43: Allocation of O&M expenses submitted by Calicut International Airport for FY 2019-20

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.00%	3.00%
Payroll Costs –CHQ/RHQ	95.00%	5.00%
Repair & Maintenance – Civil	95.00%	5.00%
Repair & Maintenance – Electricity	95.00%	5.00%
Repair & Maintenance - IT	97.61%	2.39%
Utilities	97.38%	2.62%
Upkeep Expenses	95.00%	5.00%
Admin. & Other Expenses - Excluding CHQ/RHQ	97.00%	3.00%
Admin. & Other Expenses - CHQ/RHQ	95.00%	5.00%
Other Outflows	100%	0.00%

10.2 Authority’s analysis of Operation and Maintenance expenditure for the Third Control Period

10.2.1 The Authority examined the trial balance for FY 2019-20 and noted that the expense figures have been correctly considered by AAI. Further, it was noted that the Operation and Maintenance (O&M) expenses approved by AERA in the tariff order for the Second Control Period for Calicut Airport was for ₹ 324.10 crores and the actual O&M expenses approved by the Authority for true up of the Second Control Period is for ₹ 397.05 crores (refer table 19). However, AAI has submitted O&M expenses for Calicut International Airport for the Third Control Period for ₹ 748.65 crores, which is

89% higher than the O&M expenses approved by the Authority for true up of the Second Control Period (which is for ₹ 397.05 crores).

10.2.2 The Authority examined the allocation of expenses between Aeronautical and Non-aeronautical activities. The Authority compared the allocation proposed by AAI to its recent orders for other AAI airports. A summary of these has been presented in the table below:

Table 44: Comparison of allocation of O&M expenses to aeronautical activities with other AAI airports

Expense category	Patna	Jaipur	Trichy	Raipur
Payroll expenses - excluding CHQ/RHQ	97%	94%	97%	95%
Payroll expenses - CHQ/RHQ	95%	95%	95%	93%
Administration and General expenses - excluding CHQ/RHQ	99%	88%	99%	91%
Administration and General expenses - CHQ/RHQ	95%	90%	95%	95%
Repairs and maintenance	95%	93%	90%	96%
Utilities and outsourcing expenses	90%	93%	99%	99%
Other outflows - Collection Charges on UDF	100%	100%	100%	100%

10.2.3 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Calicut International Airport for the Third Control Period. Based on the methodology explained under section 4.6.4 above (on true up of expenses for the Second Control Period), the Authority has derived the allocable expenses of CHQ and RHQ to Calicut International Airport for the Third Control Period, by escalating the spend for each tariff year by 5% based on the CHQ/ RHQ expenses allocated for the FY 2020-21. The same is presented in Table 47.

10.2.4 The Authority observes that AAI has allocated 95% of Payroll expenses – CHQ/RHQ and Administration and General expenses - CHQ/RHQ to Aeronautical expenses. The Authority finds it to be appropriate based on its decision for other AAI airports.

10.2.5 AAI has segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from the Concessionaires. The Authority noted that the Aeronautical proportion of 97.38% has been derived by considering the headcount of Non-aeronautical staff within the Airport. Based on the review of the above assumptions, the Authority considers the basis of apportionment by AAI to be appropriate.

10.2.6 Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Civil and Electrical) have been apportioned in the ratio of terminal building by AAI which is 95%: 5%. However, the Authority prefers to apportion the above expenses in the revised Terminal Building ratio of 92%:8%, as detailed in the earlier sections on Allocation of assets (section 6).

10.2.7 The Authority proposes the following allocation of O&M expenses into Aeronautical and Non-aeronautical:

Table 45: Allocation of O&M expenses proposed by the Authority for FY 2019-20

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.00%	3.00%
Payroll Costs –CHQ/RHQ	95.00%	5.00%

Particulars	Aeronautical	Non-aeronautical
Repair & Maintenance – Civil	92.00%	8.00%
Repair & Maintenance – Electricity	92.00%	8.00%
Repair & Maintenance - IT	97.61%	2.39%
Utilities	97.38%	2.62%
Upkeep Expenses	92.00%	8.00%
Admin. & Other Expenses - Excluding CHQ/RHQ	97.00%	3.00%
Admin. & Other Expenses - CHQ/RHQ	95.00%	5.00%
Other Outflows	100%	0.00%

10.2.8 AAI considered a growth rate of 7% in payroll expenses beyond FY 2019-20. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposes to consider a growth rate of 5% in payroll expenses for the Third Control period beginning from FY 2021-22, as was also considered for similar AAI Airports such as Trichy, Raipur etc. The above restriction in the growth rate in payroll expenses, is being proposed with the perspective of rationalizing the costs of the Airport.

10.2.9 The Authority noted the projections made by AAI for Calicut International Airport towards Repair & Maintenance expenses and is of the view that Calicut International Airport has constructed NIAB, performed recarpeting of runway and installed electrical fittings only during the previous Control Period. As most of these assets were newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposes to consider Repair & Maintenance expenses to be around 6% of the RAB (opening net block of the Third Control Period) and the same is shown in table 47.

10.2.10 For other outflows, i.e., Collection Charges on UDF, AAI considered the growth rate to be the same as that of passenger traffic. The Authority proposes to use the same fundamental approach, as it finds the same to be a reasonable driver.

10.2.11 AAI has projected ₹ 4.42 Crores as contribution towards Corporate Social Responsibility (CSR) expenses. The Authority examined AAI's submission regarding CSR expenses under Admin & General expenses and has re-computed the same in accordance with the statutory requirement under the Companies Act 2013, viz., 2% of the average profits of the preceding 3 financial years. The computation is shown in the table below:

Table 46: Projected CSR Costs Vis-à-vis Maximum Cost mandated under the Companies Act, 2013
(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical revenues	118.95	127.79	33.07	60.64	137.13	210.65	235.21	241.84	1165.28
Non-aeronautical revenues (30% considered for Hybrid till)	15.96	14.49	3.99	5.66	9.03	17.57	18.5	19.5	104.70
Total revenues = (a)	134.91	142.28	37.06	66.30	146.16	228.22	253.71	261.34	1269.98
Operating expenses (other than CSR included in Admin & Gen Expenses)	79.15	100.97	104.38	105.3	109.08	114.54	119.43	123.13	855.98

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Depreciation	13.63	20	22.17	22.09	23.68	25.54	26.87	26.79	180.77
Working Capital Interest	0	0	0.46	2.82	1.89		0	0	5.17
Total expenses = (b)	92.78	120.97	127.01	130.21	134.65	140.08	146.3	149.92	1041.92
Regulatory profit before tax (a-b)	42.13	21.31	-89.95	-63.91	11.51	88.14	107.41	111.42	228.06
Average of previous 3 FY's				-8.84	-44.18	-47.45	11.91	69.02	-19.53
2.00% of the average PBT (mandatory spend value) = (c)				-	-	-	0.24	1.38	1.62
Amount proposed to be spent on CSR = (d)				0.88	0.88	0.88	0.88	0.88	4.42
Amount higher than the mandatory spend = (d-c)				0.88	0.88	0.88	0.64	-	3.29
Amount allowed by the Authority towards CSR							0.24	0.88	1.12

10.2.12 As shown in the above table, out of the total CSR spend of ₹ 4.42 Crores claimed by Calicut International Airport, the Authority proposes to allow ₹ 1.12 crores for the FY 2024-25 and FY 2025-26, as the same is within the mandatory spend values (2% of the average profits of the last 3 Financial Years)

10.2.13 The Authority has reviewed the tender document of the contractor MESS (for upkeep expenses) and noted that the contracted rates are effective for 3 years and is extendable for 2 more years. There is no clause on escalation of the contracted rates during the above period. The Authority is of the view that for each tariff year across the Third control period, an increase of 5% towards inflationary effect should only be considered, instead of the 10% increase year-on-year as proposed by AAI. Hence, the Authority proposes to consider a 5% increase in Upkeep expenses year on year across the third control period

10.2.14 After incorporating the above observations by the Authority, the revised O&M expenses have been presented in the table below:

Table 47: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	34.55	36.28	38.10	40.00	42.00	190.93
Payroll Costs - CHQ/RHQ	8.03	8.44	8.86	9.30	9.77	44.40
Repair & Maintenance	15.68	15.13	16.00	16.20	14.92	77.93
Utilities & Outsourcing Expenses	12.67	12.77	12.87	12.98	13.10	64.39
Admin. & Other Expenses - Excluding CHQ/RHQ	9.41	10.14	10.94	12.04	13.61	56.14
Admin. & Other Expenses - CHQ/RHQ	24.75	25.99	27.29	28.65	30.08	136.76
Other Outflows	0.21	0.33	0.48	0.50	0.53	2.05
Total Operating Expenditure	105.30	109.08	114.54	119.67	124.01	572.60

10.2.15 Based on above considerations, the Authority proposes the following growth rates in Operation and Maintenance expenses.

Table 48: Growth rates in O&M expenses considered by the Authority for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Payroll Costs- Including CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Repair & Maintenance – Civil, Electrical, IT and others.	6.00%	6.00%	6.00%	6.00%	6.00%
Utilities (Power and water charges)	0%	0%	0%	0%	0%
Outsourcing Charges and Consumption and Stores and Spares	10.00%	10.00%	10.00%	10.00%	10.00%
Upkeep Expenses	5.00%	5.00%	5.00%	5.00%	5.00%
CHQ and RHQ Expenses	5.00%	5.00%	5.00%	5.00%	5.00%
Admin. & Other Expenses - Excluding Upkeep and CHQ/ RHQ expenses.	10.00%	10.00%	10.00%	10.00%	10.00%
Other Outflows	62.1%	61.1%	44.4%	5.1%	5.3%

10.3 Authority’s proposal regarding O&M expenses for the Third Control Period

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

10.3.1 The Authority proposes to consider O&M expenses for the Third Control Period for Calicut Airport as per Table 47.

11. TAXATION

11.1 Calicut International Airport's submission of Taxation for the Third Control Period

11.1.1 AAI has calculated the revenue generated from regulated services, Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per income tax. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The Aeronautical taxes submitted by Calicut International Airport are shown in the table below:

Table 49: Taxation submitted by Calicut International Airport for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Aeronautical Revenue with Revised Rates	81.35	128.89	185.80	250.68	320.79	967.51
O&M expenses	131.63	139.93	148.86	158.46	169.77	748.65
Depreciation	27.34	27.13	26.12	24.59	22.68	127.87
Profit Before Tax	(77.62)	(38.17)	10.82	67.63	128.33	90.99
Set-off of prior period tax losses			(10.82)	(67.63)	(128.33)	(206.78)
PBT after set-off of prior period losses	(77.62)	(38.17)	-	-	-	(115.79)
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0	0	0	0	0	0

11.2 Authority's analysis of Taxation for the Third Control Period

11.2.1 The Authority notes that Calicut International Airport has calculated income tax based on the projected Aeronautical revenues. The Authority has re-computed the taxes based on the revised regulatory blocks for the Third Control Period proposed in the previous sections. The following table summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

Table 50: Tax expense proposed to be considered as per the Authority for the Third Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Aeronautical Revenue with Revised Rates	60.64	137.13	210.65	235.22	241.84	885.47
O&M expenses	105.30	109.08	114.54	119.67	124.01	572.60
Depreciation	26.65	26.67	27.29	25.62	22.79	129.03
Profit Before Tax	-71.31	1.37	68.82	89.93	95.04	183.84
Set-off of prior period tax losses	-	-1.37	-68.82	-89.93	-14.70	-174.81
PBT after set-off of prior period tax losses	-71.31	-	-	-	80.34	9.03
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	-	-	-	20.22	20.22

11.3 Authority's proposal regarding Tax Expense for the Third Control Period

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

- 11.3.1 The Authority proposes to consider the tax expense for the Third Control Period for Calicut Airport as per Table 50.

12. RETURN ON LAND COST

12.1. Calicut International Airport's submission on Return on Land cost for the Third Control Period

12.1.1 AAI has claimed the following Return on Land cost for Calicut International Airport for the Third Control Period:

Table 51: Calicut International Airport's submission of Return on Land for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land Value (₹ Crores)	25.18	25.18	25.18	25.18	25.18	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value (₹ Crores)	1.66	1.66	1.66	1.66	1.66	8.30

12.2. Authority's analysis regarding Return on land for the Third Control Period

12.2.1 Calicut International Airport has submitted that the total land area is of 15,32,200 Sq.m.

12.2.2 The Authority has analyzed the usage of the above land, which has been summarized below:

Table 52: Authority's analysis of usage of land by Calicut International Airport

Particulars	(Area in Sq.m.)	Classified by Calicut International Airport	Reclassified by the Authority	Land Area used for Aeronautical activities
Total Land area (in Sq.m.) = (a)	15,32,200			
Terminal Building	56,535.84	Aeronautical	Common	53,914.26
Existing car parking area	12,542.49	Aeronautical	Non-aeronautical	-
Land used for other purposes such as · CISF Barracks Area · Air side apron, taxi track, basic strip and other areas · Flyover/road area city side	14,63,121.67	Aeronautical	Aeronautical	14,63,121.67
Total	15,32,200			15,17,035.93
Total Land area used for Aeronautical activities, to be considered for Return on Land				15,17,035.93

12.2.3 The Terminal building land area has been re-classified by the Authority as Common and apportioned in the existing terminal building ratio of 95%:5% (Aero: Non-aero area). Also, the Car parking area is classified as Non-aeronautical by the Authority.

12.2.4 As per the Land Return Order No. 42/2018-19 dated March 5, 2019, the Return on Land should be given only on the cost of land used for Aeronautical activities. Hence, out of the total land, only 15,17,035.93 Sq.m. is used for Aeronautical activities (as per Table 52) and the same is proposed to be considered by the Authority for providing return on land.

12.2.5 The Authority notes that the total land of 15,32,200 Sq.m. was purchased in the past from private land owners and compensation was paid to the them during the period 1971 to 2011. Its recorded value in the books of account is for ₹ 25.18 crores. The proportionate value for 15,17,035.93 Sq.m. of land used for Aeronautical activities works out to ₹ 24.93 crores and the same is considered by the Authority for providing return on the cost of land.

12.2.6 As per Land Return Order No. 42/2018-19 dated March 5, 2019, for Land purchased by airport operating company either from private parties or from government, the compensation will be by way of equated annual installment computed at actual cost of debt or SBI rate plus 2% whichever is lower over a period of 30 years.

12.2.7 The Authority noted the AAI has considered 6.21% as the cost of debt (as the debts are consolidated at CHQ level), which is lower than the SBI rate plus 2% and the same is considered by the Authority for computing the Return on Land.

12.2.8 Based on the above observations, the Authority has re-computed the Return on the cost of Land as follows:

Table 53: Return on cost of land recomputed by the Authority for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land Value (₹ Crores)	24.93	24.93	24.93	24.93	24.93	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value* (₹ Crores)	1.64	1.64	1.64	1.64	1.64	8.22

* Return Value = Equated Annual Instalment computed at actual cost of debt
 Equated Annual Instalment = $[Cost * Rate * (1 + Rate)^{30}] / [(1 + Rate)^{30} - 1]$

12.3. Authority's proposals relating to Return on Land for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Return on Land for the Third Control Period:

12.3.1 The Authority proposes to consider land area used for Aeronautical activities as per Table 52.

12.3.2 The Authority proposes to consider Return on Land as per Table 53.

13. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

13.1. Calicut International Airport's submission relating to Quality of Service

13.1.1 Calicut International Airport has not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available in AAI's website (station-wise).

13.2. Authority's analysis relating to Quality of Service

13.2.1 The Authority notes that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall "*monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf.*"
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration "*the service provided, its quality and other relevant factors.*"

13.2.2 The Authority noted from AAI's website that the ACI ASQ survey results for Calicut International Airport for the years 2017 to 2021 have been in the range of 4.32 to 4.93 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72. The Authority notes that the ASQ rating awarded to Calicut International Airport is quite close to the average rating of the AAI airports.

13.2.3 Also, the Authority reviewed the MoU between AAI and MoCA for the FY 2019-20 and noted that the ASQ rating target for the FY 2019-20 was 4.68. The actual ASQ rating achieved by Calicut International Airport for the FY 2019-20 was 4.81 (variance between actual and the target was 0.13).

13.2.4 The Authority does not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by Calicut International Airport.

13.3. Authority's proposal relating to Quality of Service

Based on the material before it and its analysis, the Authority proposes the following with regard to Quality of Service for the Third Control Period:

13.3.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regards to quality of service.

14. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

14.1 Calicut International Airport's submission of ARR for the Third Control Period

14.1.1 AAI has submitted ARR and Yield Per Passenger (Y) for the Third Control Period as per the regulatory building blocks discussed.

14.1.2 The summary of ARR and Yield has been presented in the table below.

Table 54: ARR submitted by AAI for the Third Control Period

Particulars	(₹ Crores)					Total
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	
Average RAB (₹ Crores)	269.33	270.55	266.57	259.43	244.39	1,310.26
Fair Rate of Return	14%	14%	14%	14%	14%	14%
Return on average RAB (₹ Crores)	37.71	37.88	37.32	36.32	34.21	183.44
O&M expenses (₹ Crores)	131.63	139.93	148.86	158.46	169.77	748.65
Depreciation (₹ Crores)	22.76	24.24	24.74	26.09	26.82	124.65
Working capital interest (₹ Crores)	4.69	5.41	3.14	0.00	0.00	13.25
Return on Land (₹ Crores)	1.66	1.66	1.66	1.66	1.66	8.30
Tax expense (₹ Crores)	0	0	0	0	0	0
Less: 30% NAR (₹ Crores)	5.13	7.26	11.77	14.78	17.99	56.93
ARR per year (₹ Crores)	193.32	201.86	203.95	207.74	214.48	1,021.35
Discount factor (@ 14%)	1	0.88	0.77	0.68	0.59	
PV of ARR (₹ Crores)	193.32	177.07	156.93	140.22	126.99	794.53
Sum Present value of ARR (₹ Crores)	794.53					
Add: True up shortfall of Second Control Period claimed by AAI	383.56					
Total Traffic (million passengers)	6.02					
Yield per passenger (YPP) (₹)	1,975.99					

14.2 Authority's analysis of Aggregate Revenue Requirement (ARR) for the Third Control Period

14.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the table above, the Authority proposes as below:

- To consider the average RAB in accordance with Table 34.
- To consider the FRoR in accordance with Table 35.
- To consider the Depreciation as per Table 32.
- To consider the O&M expenses as per Table 47.
- To consider the Tax expense as per Table 50.

- To consider the Non-aeronautical revenue as per Table 39.
- To consider Return on Land as per Table 53.
- To consider True up of Second Control Period as per Table 21.
- To consider the total traffic in accordance with Table 25.

14.2.2 The Authority also reviewed the computation of working capital requirements by AAI based on the proposed Aeronautical revenue and Operation and Maintenance expenses for each Tariff Year and the interest on the above working capital proposed to be incurred during the first two tariff years such as FY 2021-22 and FY 2022-23. The Authority has reworked the working capital requirement and the interest thereon based on its revised Aeronautical revenue derived as per Table 57, Non-aeronautical revenue derived as per Table 39, O&M expenses derived as per Table 47 and the same is presented in Table 55.

14.2.3 After considering the above, the Authority proposes the following ARR and Yield, as presented in the table below.

Table 55: ARR proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	Table Ref.	FY	FY	FY	FY	FY	Total
		2021-22	2022-23	2023-24	2024-25	2025-26	
Average RAB = A	34	256.79	259.43	268.33	259.35	235.93	1,279.83
Fair Rate of Return = B	35	14%	14%	14%	14%	14%	14%
Return on average RAB C= A*B		35.95	36.32	37.57	36.31	33.03	179.18
O&M expenses – D	47	105.30	109.08	114.54	119.67	124.01	572.60
Depreciation – E	32	22.09	23.68	25.54	26.87	26.79	124.99
Working capital interest – F		2.82	1.89	0.00	0.00	0.00	4.71
Return on Land – G	53	1.64	1.64	1.64	1.64	1.64	8.22
Tax expense – H	50	0	0	0	0	20.22	20.22
Less: 30% NAR – I	39	5.66	9.03	17.57	18.50	19.50	70.25
ARR per year (C+D+E+F+G+H-I)		162.14	163.58	161.72	165.99	186.19	839.67
Add: True up shortfall of Second Control Period claimed by AAI (₹ Crores)	21	168.93					
Discount factor (@ 14%)		1	0.88	0.77	0.68	0.59	
PV of ARR (₹ Crores)		331.07	143.49	124.44	112.04	110.24	821.29
Sum Present value of ARR (₹ Crores)		821.29					
Total Traffic (million passengers)		7.28					
Yield per passenger (YPP) (₹)		1,128.14					

14.3 Authority's proposal regarding Aggregate Revenue Requirement (ARR) for the Third Control Period

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

14.3.1 The Authority proposes to consider the ARR and Yield for the Third Control Period for Calicut Airport in accordance with Table 55.

15. AERONAUTICAL REVENUE

15.1 Calicut International Airport's submission of Aeronautical Revenue for the Third Control Period

15.1.1 AAI has proposed to increase the Aeronautical tariffs as applicable from April 1, 2021 as per below schedule:

- Landing Charges- For domestic and international ATM, AAI has proposed to increase the existing charges by 50% for FY 2021-22 and by 10% year on year thereafter.
- Parking and housing charges - For domestic and international ATM, AAI has proposed increase the existing charges by 50% for FY 2021-22 and by 10% year on year thereafter.
- User Development Fee – AAI has proposed to hike domestic UDF charges to ₹ 600 per embarking passenger (increase of 182% from the existing rate of ₹ 213) and of International UDF charges to ₹1,300 per embarking passenger (increase of 173% from the existing rate of ₹ 476) with effect from April 1, 2021 and thereafter an increase of 4% from 1st April of every Financial Year up to FY 2025-26 is proposed.

15.1.2 As per the AAI submission, table below represents the Aeronautical revenue:

Table 56: Aeronautical revenue submitted by AAI for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Landing charges	29.26	43.94	61.72	80.53	103.39	318.84
Parking charges	0.33	0.48	0.68	0.88	1.12	3.48
UDF charges	44.94	75.65	112.50	156.53	201.64	591.25
Land Lease	0.73	0.78	0.84	0.91	0.97	4.24
Ground Handling charges	4.46	5.89	7.34	8.57	9.84	36.10
CUTE charges	1.15	1.63	2.16	2.65	3.14	10.74
Revenue Share from AAICLAS	0.47	0.51	0.57	0.62	0.68	2.85
Total Revenue	81.35	128.89	185.80	250.68	320.79	967.51

15.2 Authority's analysis of Aeronautical Revenue for the Third Control Period

15.2.1 The Authority notes that air traffic demand has been widely impacted due to challenges posed by the Covid-19 pandemic and the resultant slowdown in the economy. Moreover, airport operators have ongoing capital expenditure projects as also other planned works, thus resulting in a higher ARR. Further, the Authority notes that the existing traffic base is not sufficient for complete recovery of ARR in the Third Control Period and that this would require a significant increase in tariffs.

15.2.2 The Authority is cognizant of the situation and is of the view that keeping the tariff at the current level for the entire control period and postponing the full recovery of shortfalls to the next control period will create substantial recovery burden and lead to steep tariff increases in the Fourth Control Period. Besides, it would also adversely impact the cash flows of the airport operator in the Third Control Period. The Authority, however, is of the view that targeting a full recovery at

this time may not be fair to all stakeholders and may dampen the stakeholders' efforts to revive demand. The Authority notes that the airport operator has the provision of the true up of any shortfalls in revenue recovery in the Fourth Control Period.

- 15.2.3 Based on the above analysis, the Authority proposes not to increase any Aeronautical tariff both for domestic and international traffic in the current financial year 2021-22 and proposes to revise the Landing and Parking charges and UDF from 01 April 2022. The Authority proposes to allow a one- time increase of 45% in the Domestic and International Landing, Parking charges in the FY 2022-23, an increase of 20% in the FY 2023-24 and of 15% in the FY 2024-25. Thereafter an increase of 5% for the first 9 months (April to Dec) of the FY 2025-26 and a decrease of 20% in the landing and parking charges for the last 3 months (Jan to March) of the FY 2025-26.
- 15.2.4 The Authority proposes to allow Domestic UDF of ₹ 440 and International UDF of ₹ 740, with effect from April 1, 2022 till December 31, 2025. For the period January 1, 2026 to March 31, 2026, the Authority proposes to allow Domestic UDF of ₹ 375 and International UDF of ₹ 580 Also, the Authority proposes not to consider increasing UDF by 4% for each tariff year up to FY 2025-26, as proposed by AAI.
- 15.2.5 The Authority has determined the Aeronautical revenue based with the proposed Aeronautical charges as follows:

Table 57: Aeronautical revenues and Shortfall proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total PV of ARR including true up (₹ in Crores) (a)	821.29					
Landing charges:						
Domestic (₹ in Crores)	3.66	6.48	8.94	12	13.97	45.05
International (₹ in Crores)	18.64	40.55	71.04	86.03	90.36	306.62
Parking and housing charges:						
Domestic (₹ in Crores)	0.06	0.10	0.14	0.19	0.23	0.72
International (₹ in Crores)	0.19	0.41	0.72	0.87	0.91	3.10
Land Lease - Oil Companies (₹ in Crores)	0.73	0.78	0.84	0.91	0.97	4.24
Ground handling charges (₹ in Crores)	5.02	6.99	9.49	10.30	11.20	43.00
CUTE charges (₹ in Crores)	1.30	2.10	3.03	3.19	3.35	12.97
Cargo Revenue (₹ in Crores)	0.47	0.51	0.57	0.62	0.68	2.85
Total Aeronautical Revenue, before UDF (₹ in Crores) (b)	30.07	57.93	94.77	114.10	121.68	418.55
PV factor	1	0.8772	0.7695	0.675	0.5921	
PV of Aeronautical revenue (before UDF) (₹ in Crores)	30.07	50.82	72.93	77.02	72.05	302.88
Σ PV Aero Revenue (before UDF) (c)	302.88					

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Shortfall before UDF (c) - (a) =(d)	-518.41					
UDF/ PSF (F)						
Domestic (₹ in Crores)	3.42	11.67	14.59	16.38	17.72	63.78
International (₹ in Crores)	27.15	67.52	101.28	104.73	102.44	403.12
Total UDF (e)	30.57	79.19	115.87	121.11	120.16	466.90
Total Revenue (b + e)	60.64	137.12	210.64	235.21	241.84	885.45
PV of UDF	30.57	69.47	89.16	81.75	71.15	342.09
∑ PV of UDF (f)	342.09					
∑ PV Projected Aero Revenue including UDF (c) + (f) = (g)	644.97					
Surplus/ (Shortfall) Proposed to be carried forward for Next Control Period (g) – (a) (derived as on 31 March 2022)	-176.32					

15.2.6 As can be observed from the above table, as per the Authority's proposals, AAI is entitled to recover an ARR of ₹ 821.29 Crores. The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 644.97 Crores, thus resulting in a net shortfall of ₹ 176.32 Crores.

15.2.7 The Authority proposes to carry-forward the shortfall of ₹ 176.32 Cr. (as per Table 57) to the Fourth Control Period, with a view to not burden the airlines further which are already suffering with the Covid-19 pandemic's impact, as also the other Users, with excessive tariff at this juncture. However, the Authority proposes to adjust the above shortfall based on the Aeronautical revenue achieved by Calicut International Airport in line with the actual traffic data of the Third Control Period.

15.3 Authority's proposal regarding Aeronautical Revenue for the Third Control Period

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

15.3.1 The Authority proposes to consider Aeronautical revenue for the Third Control Period for Calicut Airport as per Table 57.

15.3.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

16. SUMMARY OF AUTHORITY'S PROPOSALS

Chapter 4: True Up for the Second Control Period

- 4.9.1 The Authority proposes to consider capital additions as detailed in Table 7 for true up of the Second Control Period.
- 4.9.2 The Authority proposes to consider Aeronautical depreciation as mentioned in Table 8 for true up for the Second Control Period.
- 4.9.3 The Authority proposes to consider RAB as per Table 9 for true up for the Second Control Period.
- 4.9.4 The Authority proposes to consider the Non-aeronautical revenues as presented in Table 11 for the purpose of true up of the Second Control Period.
- 4.9.5 The Authority proposes to consider the O&M expenses as detailed in Table 19 for the purpose of true up of the Second Control Period.
- 4.9.6 The Authority proposes to disallow Return on Land claimed by Calicut International Airport for the First and Second Control Period, in accordance with its Order 42/ 2018-19 dated March 5, 2019.
- 4.9.7 The Authority proposes to consider ARR and Shortfall as detailed in Table 21 for true up of the Second Control Period for Calicut Airport.

Chapter 5: Traffic for the Third Control Period

- 5.5.1 The Authority proposes to consider the ATM and passenger traffic for the Third Control Period for Calicut Airport as per Table 25.
- 5.5.2 The Authority proposes to true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

Chapter 6: Regulatory Asset Base and Depreciation for the Third Control Period

- 6.6.1 The Authority proposes allocation of gross block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical assets as detailed in Table 27.
- 6.6.2 The Authority proposes to adopt the Capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 30.
- 6.6.3 To true up the Capital expenditure on actuals at the time of determination of tariff for Fourth Control Period.
- 6.6.4 To reduce (adjust) 1% of the project cost from the ARR in case any particular capital project is not completed/capitalised as per the approved capitalisation schedule. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period
- 6.6.5 The Authority proposes depreciation as per Table 32 for the Third Control Period.
- 6.6.6 The Authority proposes to consider average RAB for the Third Control Period for Calicut Airport as per Table 34.

Chapter 7: Authority's proposal regarding Fair Rate of Return (FRoR) for the Third

Control Period

- 7.3.1 The Authority proposes to consider FRoR for Calicut Airport for the Third Control Period as per Table 35.

Chapter 8: Authority's proposal relating to inflation for the Third Control Period

- 8.3.1 To consider WPI inflation at 4.9% (average of the median WPI inflation of the 4th quarter of FY 2020-21 and 1st, 2nd, 3rd, 4th quarters of FY 2021-22) based on the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69" published by the Reserve Bank of India (RBI) for the Third Control Period (refer Para 8.2.1) for Calicut International Airport in estimating the escalation rates of different items of Operating Expenditure and Revenues as applicable.

Chapter 9: Authority's proposal regarding Non-aeronautical revenues for the Third Control Period

- 9.3.1 The Authority proposes to consider Non-aeronautical revenues for the Third Control Period for Calicut Airport in accordance with Table 39.

Chapter 10: Authority's proposal regarding O&M expenses for the Third Control Period

- 10.3.1 The Authority proposes to consider O&M expenses for the Third Control Period for Calicut Airport as per Table 47.

Chapter 11: Authority's proposal regarding Tax Expense for the Third Control Period

- 11.3.1 The Authority proposes to consider the tax expense for the Third Control Period for Calicut Airport as per Table 50.

Chapter 12: Authority's proposals relating to Return on Land for the Third Control Period

- 12.3.1 The Authority proposes to consider land area used for Aeronautical activities as per Table 52.
12.3.2 The Authority proposes to consider Return on Land as per Table 53.

Chapter 13: Authority's proposal relating to Quality of Service for the Third Control Period

- 13.3.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regards to quality of service.

Chapter 14: Aggregate Revenue Requirement (ARR) for the Third Control Period

- 14.3.1 The Authority proposes to consider the ARR and Yield for the Third Control Period for Calicut Airport in accordance with Table 55.

Chapter 15: Aeronautical revenues for the Third Control Period

- 15.3.1 The Authority proposes to consider Aeronautical revenue for the Third Control Period for Calicut Airport as per Table 57.
- 15.3.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.

17. STAKEHOLDERS' CONSULTATION TIMELINE

- 17.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 16 – Summary of proposals read with the relevant discussion in the other chapters of the Paper is hereby put forth for Stakeholders' Consultation.
- 17.2 For removal of doubts, it is clarified and explained that the contents of this Consultation Paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.
- 17.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 16 above, latest by **8th November 2021**.

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(Chairperson)

18. LIST OF ANNEXURES

18.1 Annexure I: Annual Tariff proposal submitted by AAI for Calicut International Airport for the Third Control Period

18.1.1 As part of the Multi-year Tariff proposal, AAI submitted a Tariff Card for all five years of the Third Control Period. This Tariff Card has been reproduced in this Chapter. The Authority examined AAI's Multi-year Tariff Proposal, along with all regulatory building blocks. The Authority's examination has been discussed in this Consultation Paper in the previous Chapters.

18.1.2 AAI had proposed the following increase in Aeronautical tariffs with effect from April 1, 2021:

- Landing Charges- For domestic and international ATM, AAI has proposed to increase the existing charges by 50% for FY 2021-22 and by 10% year on year thereafter.
- Parking and housing charges - For domestic and international ATM, AAI has proposed increase the existing charges by 50% for FY 2021-22 and by 10% year on year thereafter.
- User Development Fee – AAI has proposed to hike domestic UDF charges to ₹ 600 per embarking passenger (increase of 182% from the existing rate of ₹ 213) and of International UDF charges to ₹1,300 per embarking passenger (increase of 173% from the existing rate of ₹ 476) with effect from April 1, 2021 and thereafter an increase of 4% from 1st April of every Financial Year up to FY 2025-26 is proposed.

18.1.3 The tariff card proposed by AAI for the Third Control Period has been reproduced here. For purposes of comparison, the existing Aeronautical charges have been provided along with the charges proposed by AAI.

i. Landing charges

Table 58: Existing Landing charges

Weight of Aircraft	International rate per landing (₹)	Domestic rate per landing (₹)
Up to 25 MT	₹ 289 per MT	₹ 193 per MT
Above 25 MT up to 50 MT	₹ 7,223+ ₹541 per MT in excess of 25 MT	₹ 4,815 + ₹337 per MT in excess of 25 MT
Above 50 MT up to 100 MT	₹ 20,758+ ₹ 627 per MT in excess of 50 MT	₹ 13,241 + ₹ 385 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 52,109+ ₹ 722 per MT in excess of 100 MT	₹ 32,501 + ₹470 per MT in excess of 100 MT
Above 200 MT	₹ 1,24,334 + ₹867 per MT in excess of 200 MT	₹ 79,474 + ₹ 530 per MT in excess of 200 MT

Table 59: Landing charges proposed by AAI for the Third Control Period (FY 2021-22)

Weight of the Aircraft	International rate per landing (₹)	Domestic rate per landing (₹)
Up to 25 MT	434 per MT	290 per MT
Above 25 MT up to 50 MT	10,850+812 per MT in excess of 25 MT	7,250 + 506 per MT in excess of 25 MT
Above 50 MT up to 100 MT	31,150+941 per MT in excess of 50 MT	19,900 + 578 per MT in excess of 50 MT
Above 100 MT to 200 MT	78,200+1,083 per MT in excess of 100 MT	48,800 + 705 per MT in excess of 100 MT

Weight of the Aircraft	International rate per landing (₹)	Domestic rate per landing (₹)
Above 200 MT	1,86,500+1,301 per MT in excess of 200 MT	1,19,300 + 795 per MT in excess of 200 MT

18.1.4 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 schedule operators at airport, b) helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.

18.1.5 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.

18.1.6 Charges shall be calculated on the basis of nearest MT (i.e., 1,000 kg).

18.1.7 Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

ii. Parking and Housing Charges

Table 60: Existing Parking and Housing charges

Weight of Aircraft	Parking charges - Rate per hour (₹)	Housing charges - Rate per hour (₹)
Up to 25 MT	3.00 per Hour per MT	6.00 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 MT	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 Hour in excess of 100 MT	1,150+20 per MT per Hour in excess of 100 MT
Above 200 MT	1,575+11 per 1 MT per Hour in excess of 200 MT	3,150+ 22 per MT per Hour in excess of 200 MT

Table 61: Parking charges proposed by AAI for the Third Control Period (FY 2021-22)

Weight of the Aircraft	Parking Charges Rates per Hour (₹) (up to two hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Up to 25 MT	4.50 per Hour per MT	9.00 per Hour per MT
Above 25 MT up to 50 MT	112.50+6 per Hour per MT in excess of 25 MT	225+12 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	262.50+12 per MT per Hour in excess of 50 MT	525+24 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	862.50+15 per MT per Hour in excess of 100 MT	1,725+30 per MT per Hour in excess of 100 MT
Above 200 MT	2,362.50+16.50 per MT per Hour in excess of 200 MT	4,725+33 per MT per Hour in excess of 200 MT

18.1.8 No Parking Charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing

and before take-off.

18.1.9 For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.

18.1.10 Charges shall be calculated on the basis of nearest MT.

18.1.11 Charges for each period parking shall be rounded off to nearest rupee.

18.1.12 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.

18.1.13 Night parking charges (between 2200 hours to 0600 hours) will be similar to the parking and housing charges as per table above. Night parking charges are waived off in principle for all domestic scheduled operators at Calicut Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges 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.

18.1.14 Flights operating under Regional Connectivity Scheme shall be completely governed by AIC issued on this subject by DGCA.

18.1.15 For unauthorized overstay of Aircraft on Ground, an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable as approved by Authority.

iii. User Development Fees (UDF)

Table 62: UDF Proposed by AAI (per embarking passenger)

Passenger	Existing UDF	UDF proposed by AAI
Domestic	₹ 213	₹ 600
International Passenger	₹ 476	₹ 1,300

Notes:

- a) Collection charges: if the payment is made in accordance with period prescribed under credit policy of AAI, then collection charges at ₹ 5.00 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 prescribed credit period or in case of part payment.
- b) No collection charges are payable to casual operator/non-scheduled operators.
- c) For conversion of 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.
- d) Revised UDF charges will be applicable on tickets issued on or after April 1, 2022.
- e) No UDF/PSF (Facilitation) will be levied for Transit Passengers.

iv. Aviation Security Fee: Applicable as prescribed by MoCA

v. Exemption from levy and collection from UDF/ASF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated November 30, 2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF/ASF.

- 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.

vi. General Condition:

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under regional connectivity scheme will be completely exempted from charges as per Order No.20/2016-17 dated March 31, 2017 of the Authority from the date the scheme is operationalized by GOI.

18.2 Annexure II: Annual Tariff proposed by the Authority for Consultation process

18.2.1 The Authority examined the shortfall computed by AAI in the MYTP and noted that AAI had erroneously applied the passenger traffic (domestic & international) forecasts for FY 2020-21 while deriving the UDF charges for FY 2021-22. Likewise, this error has been repeated for the other tariff years in the Third Control Period. Thus, the shortfall reported by AAI amounted to ₹ 481.58 crores, although the actual shortfall was for ₹ 347.92 crores only. This excess reported shortfall of ₹ 133.66 crores was rectified in the shortfall proposed to be carried forward, as computed by the Authority in Table 57.

18.2.2 As detailed in Table 57 (Chapter 15), Calicut Airport is entitled to recover an ARR of ₹ 821.29 Crores. The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 644.97 Crores, thus resulting in a net shortfall of ₹ 176.32 Crores that shall be carried forward to the next Control Period.

18.2.3 The Authority has examined the Annual Tariff Proposal submitted by Calicut International Airport. After examination as given in Chapter 15.2, the Authority has proposed the following Aeronautical tariffs for Calicut International Airport for the Third Control Period for consultation process:

Table 63: Landing charges (domestic) for the Third Control Period proposed to be considered by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23 Tariff w.e.f. 01.04.2022	FY 2023-24 Tariff w.e.f. 01.04.2023	FY 2024-25 Tariff w.e.f. 01.04.2024	FY 2025-26 Tariff w.e.f. 01.04.2025 to 31.12.2025	FY 2025-26 Tariff w.e.f. 01.01.2026 to 31.03.2026
	Up to 25 MT	193 per MT	280 Per MT	335 Per MT	385 Per MT	405 Per MT
Above 25 MT up to 50 MT	4,815 + 337 per MT in excess of 25 MT	6,995 + 490 per MT in excess of 25 MT	8,395 + 585 per MT in excess of 25 MT	9,655 + 675 per MT in excess of 25 MT	10,140 + 710 per MT in excess of 25 MT	8,110 + 565 per MT in excess of 25 MT
Above 50 MT up to 100 MT	13,241 + 385 per MT in excess of 50 MT	19,215 + 560 per MT in excess of 50 MT	23,055 + 670 per MT in excess of 50 MT	26,515 + 770 per MT in excess of 50 MT	27,840 + 810 per MT in excess of 50 MT	22,270 + 650 per MT in excess of 50 MT
Above 100 MT to 200 MT	32,501 + 470 per MT in excess of 100 MT	47,125 + 680 per MT in excess of 100 MT	56,550 + 820 per MT in excess of 100 MT	65,030 + 940 per MT in excess of 100 MT	68,285 + 985 per MT in excess of 100 MT	54,625 + 790 per MT in excess of 100 MT
Above 200 MT	79,474 + 530 per MT in excess of 200 MT	1,15,275 + 770 per MT in excess of 200 MT	1,38,330 + 920 per MT in excess of 200 MT	1,59,080 + 1,060 per MT in excess of 200 MT	1,67,035 + 1,115 per MT in excess of 200 MT	1,33,625 + 890 per MT in excess of 200 MT

Table 64: Landing charges (International) for the Third Control Period proposed to be considered by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
	(Existing rates)	Tariff w.e.f. 01.04.2022	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025 to 31.12.2025	Tariff w.e.f. 01.01.2026 to 31.03.2026
Up to 25 MT	289 per MT	420 Per MT	505 Per MT	578 Per MT	605 Per MT	485 Per MT
Above 25 MT up to 50 MT	7,223+ 541 per MT in excess of 25 MT	10,475 + 785 per MT in excess of 25 MT	12,570 + 940 per MT in excess of 25 MT	14,455 + 1,080 per MT in excess of 25 MT	15,180 + 1,135 per MT in excess of 25 MT	12,145 + 910 per MT in excess of 25 MT
Above 50 MT up to 100 MT	20,758+ 627 per MT in excess of 50 MT	30,090 + 910 per MT in excess of 50 MT	36,105 + 1,090 per MT in excess of 50 MT	41,520 + 1,255 per MT in excess of 50 MT	43,595 + 1,315 per MT in excess of 50 MT	34,875 + 1,055 per MT in excess of 50 MT
Above 100 MT to 200 MT	52,109+ 722 per MT in excess of 100 MT	75,545 + 1,045 per MT in excess of 100 MT	90,655 + 1,255 per MT in excess of 100 MT	1,04,250 + 1,445 per MT in excess of 100 MT	1,09,465 + 1,515 per MT in excess of 100 MT	87,570 + 1,215 per MT in excess of 100 MT
Above 200 MT	1,24,334 + 867 per MT in excess of 200 MT	1,80,235 + 1,255 per MT in excess of 200 MT	2,16,280 + 1,510 per MT in excess of 200 MT	2,48,725 + 1,735 per MT in excess of 200 MT	2,61,160 + 1,820 per MT in excess of 200 MT	2,08,930 + 1,455 per MT in excess of 200 MT

Notes-

1. No Landing charges shall be payable in respect of a) aircraft with a maximum certified Passenger Capacity of less than 80 seats, being operated by domestic schedule 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).
4. Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

Table 65: Parking charges (per hour) up to two hours after free hours for the Third Control Period proposed to be considered by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
	(Existing rates)	Tariff w.e.f. 01.04.2022	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025 to 31.12.2025	Tariff w.e.f. 01.01.2026 to 31.03.2026
Up to 25 MT	3 per Hour per MT	4.35 Per Hour Per MT	5.25 Per Hour Per MT	6.00 Per Hour Per MT	6.30 Per Hour Per MT	5.05 Per Hour Per MT

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
		Tariff w.e.f. 01.04.2022	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025 to 31.12.2025	Tariff w.e.f. 01.01.2026 to 31.03.2026
Above 25 MT up to 50 MT	75+ 4 per Hour per MT in excess of 25 MT	108.75+ 5.80 per MT per Hour in excess of 25 MT	130.50 + 6.95 per MT per Hour in excess of 25 MT	150.00+ 8.00 per MT per Hour in excess of 25 MT	157.60 + 8.40 per MT per Hour in excess of 25 MT	126.00 + 6.70 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	175+8 per MT per Hour in excess of 50 MT	253.75 + 11.60 per MT per Hour in excess of 50 MT	304.50 + 13.95 per MT per Hour in excess of 50 MT	350.00+ 16.00 per MT per Hour in excess of 50 MT	367.70 + 16.80 per MT per Hour in excess of 50 MT	294.15 + 13.45 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	575+10 per MT per Hour in excess of 100 MT	833.75 + 14.50 per MT per Hour in excess of 100 MT	1,000.50 + 17.40 per MT per Hour in excess of 100 MT	1,150.60 + 20.00 per MT per Hours in excess of 100 MT	1,208.10+ 21 per MT per Hours in excess of 100 MT	966.45 + 16.80 per MT per Hours in excess of 100 MT
Above 200 MT	1,575+11 per MT per Hour in excess of 200 MT	2,283.75 + 15.95 per MT per Hour in excess of 200 MT	2,740.50 + 19.15 per MT per Hour in excess of 200 MT	3,151.60+ 22 per MT per Hours in excess of 200 MT	3,309.15 + 23.00 per MT per Hours in excess of 200 MT	2,647.30 + 18.45 per MT per Hours in excess of 200 MT

Table 66: Parking charges beyond first four hours for the Third Control Period proposed to be considered by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
		Tariff w.e.f 01.04.2022	Tariff w.e.f 01.04.2023	Tariff w.e.f 01.04.2024	Tariff w.e.f 01.04.2025 to 31.12.2025	Tariff w.e.f 01.01.2026 to 31.03.2026
Up to 25 MT	6 per Hour per MT	8.70 Per Hour Per MT	10.45 Per Hour Per MT	12.00 Per Hour Per MT	12.60 Per Hour Per MT	10.10 Per Hour Per MT
Above 25 MT up to 50 MT	150+ 8 per Hour per MT in excess of 25 MT	217.50 + 11.60 per MT per Hour in excess of 25 MT	261 + 13.90 per MT per Hour in excess of 25 MT	300.15+ 16.00 per MT per Hour in excess of 25 MT	315.15 + 16.80 per MT per Hour in excess of 25 MT	252.10 + 13.45 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	350+ 16 per MT per Hour in excess of 50 MT	507.50 + 23.20 per MT per Hour in excess of 50 MT	609 + 27.85 per MT per Hour in excess of 50 MT	700.35 + 32.00 per MT per Hour in excess of 50 MT	735.35 + 33.60 per MT per Hour in excess of 50 MT	588.30 + 26.90 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	1,150+ 20 per MT per Hour in excess of 100 MT	1,667.50 + 29.00 per MT per Hour in excess of 100 MT	2,001 + 34.80 per MT per Hours in excess of 100 MT	2,301.15 + 40.00 per MT per Hours in excess of 100 MT	2,416.20 + 42.00 per MT per Hours in excess of 100 MT	1,932.90 + 33.60 per MT per Hours in excess of 100 MT
Above 200 MT	3,150+ 22 per MT per Hour in excess of 200 MT	4,567.50 + 31.90 per MT per Hour in excess of 200 MT	5,481 + 38.30 per MT per Hours in excess of 200 MT	6,303.15 + 44.00 per MT per Hours in excess of 200 MT	6,618.30 + 46.20 per MT per Hours in excess of 200 MT	5,294.65 + 36.95 per MT per Hours in excess of 200 MT

Notes-

1. No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
3. Charges shall be calculated on the basis of nearest MT.
4. Charges for each period parking shall be rounded off to nearest rupee.
5. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Raipur Airport if the State Government has brought the rate of tax (VAT) on ATF $\leq 5\%$. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of $\leq 5\%$ tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
8. For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable.

User Development Fees (UDF)

Table 67: UDF (per embarking passenger) for the Third Control Period proposed to be considered by the Authority

(Rates in ₹)

Passenger	FY 2021-22 (Existing rates)	FY 2022-23 to FY 2025-26 (w.e.f. 01.04.2022 till 31.12.2025)	FY 2025-26 (01.01.2026 till 31.03.2026)
Domestic	213	440	375
International	476	740	580

Notes:

1. Collection charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
2. No collection charges are payable to casual operator/non-scheduled operators.
3. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the

previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.

4. No UDF will be levied for transit passengers.

18.2.4 **Aviation Security Fee:** Applicable as prescribed by MoCA from time to time.

18.2.5 Exemption from levy and collection from UDF/ASF at the Airports.

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008- AAI & vide Letter no. AV.13024/659/2015-AS dated 30.11.2011 & 13.06.2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF/ASF.

- (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.

18.2.6 **General Condition:**

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.

18.3 Annexure III: Approved vis-a-vis Actual Capex incurred by Calicut International Airport for the Second Control Period

S. No	Asset category	Description of the project	Capex approved by AERA (₹ in crores)	Actual capex incurred by Calicut International Airport (₹ in crores)	Remarks
1	Terminal Building	Construction of New international Arrival block, Internal Modification of Existing Intl. passengers Terminal Building and Associated Works at Calicut Airport.	78.61	76.43	This includes Financing allowance for ₹ 5.20 crores (included under ₹ 76.43 cr), which has been disallowed by the Authority
2	Electrical installation	Electrical installations for NIAB	28.93	28.93	
3	Runway	Resurfacing and strengthening of Runway at Calicut International Airport	28.4	33.86	This includes Financing allowance for ₹ 2.20 crores (included under ₹ 33.86 cr), which has been disallowed by the Authority
4	Road, bridges and culverts	1. C/o Open Drain in Operational Area connecting Barrack 2. Recarpeting of City side pavements	0.94	-	
5	Other Building - Unclassified	1. Construction of Administration. Block.	10	-	The work had not been executed due to non-availability of land.
		2. Dedicated water supply from Cheekode project to Calicut	6	4.41	The cost of dedicated water supply line had been included under Machinery. The Authority has now re-classified it under Other - Buildings
		3. Additional Toilet for others	0.15	0.4	This includes other works also like frangible hut installation, elevated watch towers etc.
6	Building Residential	1. Renovation of flooring and allied works for staff Quarters (Phase II)	0.25	0.18	
			153.28	144.21	

18.4 Annexure IV: Unapproved/ Additional Capex incurred by Calicut International Airport during the Second Control Period

S. No	Asset category	Description of the project	Amount (₹ in crores)	Remarks
1	Electrical Installations (Security related)	Inline baggage handling system	21.40	As per latest BCAS guidelines CTX based Inline Baggage Handling system need to be installed by 2021 hence Upgradation in the existing ILBS with CTX based XBIS carried out. Inline baggage screening systems, which are automated screening equipment that remotely screen and clear a bag without the use of a physical inspection.
		FIDS/ AOCC	4.25	Flight Data processed Departure and Arrival message in respect of Calicut bound flights are automatically integrated to AOCC for Departure and Arrival timings. AOCC use this data for FIDS display.
		Instrument Landing system	2.82	Instrument Landing System is a standard International Civil Aviation Organisation (ICAO) precision landing aid that is used to provide accurate azimuth and descent guidance signals for guidance to aircraft for landing on the runway under normal or adverse weather conditions.
		Passenger boarding bridges	5.59	Earlier only 3 bays were provided with Passenger Boarding Bridges. During the Second Control Period, PBBs were installed to two more bays for improved passenger facilitation.
		MROV (Mini Remotely Operated Vehicle)-18NOS	1.60	This was purchased for increased security-bomb Detection supporting item
		Immigration Counter	1.87	- The electronic gate (e-GATE) installed at the customs inspection area where passengers proceed to after being admitted through immigration. Travellers' identities will be confirmed at a kiosk terminal and at an exit gate. - Dynamic signage visible from much greater distances than traditional signage which enables the passengers to report in the specific counters much easily.
		Other items (less than ₹ 50 lacs)	13.45	
		Total Electrical installations	50.98	
2	Tools & Equipment	CHQ-SUPPLY OF THREAT CONTAINMENT VESSEL-1NO	8.69	Threat Containment vessel(TCV)-Part of Bomb Detection and Disposal Squad(BDDS) equipment, used to contain explosive up to 6 tons of Trinitrotoluene (TNT) multiple times. Total Containment Vessels are fully enclosed vessels designed to safely secure, transport, and test explosive devices from threat location to designated location.

S. No	Asset category	Description of the project	Amount (₹ in crores)	Remarks
		CUTE & CUSS equipment.	0.70	Common User Terminal Equipment (3 Nos) : 3 more Boarding Gate systems were procured due to the increase in the number of boarding gates and number of aero bridges and three keyboards. Common User Self Service- (4 Nos) : As per the request from Airlines ,4 more CUSS counter were provided for facilitating check in for domestic departure of easing congestion at check in counters ,Scanner- (33 Nos) – As per request from Airlines ,bar code scanner for scanning Air ticket bar code were procured by AAI.
		Other items (less than ₹ 50 lacs). This includes Human life detector, supply of bomb suits etc	1.78	
		Total - Tools and Equipment	11.18	
3	Machinery	Replacement of DG set	3.05	Replacement of existing Diesel Generator due to completion of its service life and deteriorate performance. As per AAI disposal policy replaced the item which was fully depreciated
		Other items (less than ₹ 50 lacs)	2.16	
		Total – Machinery	5.21	
4	Vehicles	Rubber removal machine	5.28	Being a table-top runway it is mandatory to maintain runway friction value 0.5μ for the operation of code E Aircrafts. Hence frequent rubber removal has to be carried out on runway especially at the touch down areas. For this purpose Rubber removal machine is used extensively. This vehicle is also being used for removing obsolete paint markings and fungi from Apron/Runway/Taxi way.
		Mechanised GCM tractor	0.74	Mechanised GCM tractors offers vacuum sweepers in a variety of shapes and sizes, with options for moving and cleaning jobs. These can be used to collect the removed grass
		Other items (less than ₹ 50 lacs)	0.23	
			6.26	
5	CFT & Fire-fighting equipment		4.36	
6	X-Ray Equipment		3.10	
7	Boundary Wall - Operational		2.80	
8	Roads, Bridges & culverts		2.71	
9	ATM Furniture		2.30	
10	Vehicles - Cars & Jeeps		0.76	
11	Office Furniture		0.48	

S. No	Asset category	Description of the project	Amount (₹ in crores)	Remarks
12	Office Equipment		0.48	
13	Furniture & Fixtures - Trolleys		0.46	
14	Security Fencing		0.42	
15	Computer Software		0.07	
16	Computers & Peripherals		0.04	
			17.98	
		Grand Total	91.60	