फा. सं. ऐरा/20010/एमवाईटीपी/एलआईएएल-लखनऊ/सीपी-III/2020-21/

F.N. AERA/20010/ MYTP/LIAL-LUCKNOW/CP-III/2020-21

परामर्श पत्र संख्या 16/2022-23/Consultation Paper No. 16/2022-23

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

चौधरी चरण सिंह अंतरराष्ट्रीय हवाईअड्डा (सीसीएसआईए), लखनऊ (एलकेओ) के लिए तृतीय नियंत्रण अवधि (01.04.2021 से 31.03.2026) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में/

IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR CHAUDHARY CHARAN SINGH INTERNATIONAL AIRPORT (CCSIA), LUCKNOW (LKO) FOR THE THIRD CONTROL PERIOD (01.04.2021 -31.03.2026)

जारी करने की तारीख : 20 फरवरी, 2023/

Date of Issue: 20 February, 2023

ऐरा भवन/AERA Building
प्रशासनिक कॉम्पलेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली/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 has taken cognizance of the recent trends of the third wave of infections and its impact on the industry on account of the prevailing restrictions in international air travel, across the world.

The Authority after considering all information currently available, the views of the Airport Operators, industry bodies such as IATA, ACI and other Expert Agencies 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. Further, considering the Government of India's decision to resume commercial international passenger air travel from March 28, 2022 vide DGCA Circular No.4/1/2020-IR dated March 8, 2022 and termination of air bubble arrangements, the Authority is of the view that the domestic and international passenger traffic may revert to pre-COVID levels by FY 2022-23 and FY 2023-24 respectively. However, these adjustments would be finalised only after consideration of the comments from the stakeholders.

Chaudhary Charan Singh International Airport, Lucknow (CCSIA) is one of the Major Airports notified by Airports Economic Regulatory Authority of India (AERA) under the provisions of the AERA Act 2008 read with AERA (Amendment) Act 2019 and 2021 based on annual passenger throughput volume.

Chaudhary Charan Singh International Airport, Lucknow (CCSIA) was operated by the Airports Authority of India (AAI), which had entered into a Concession Agreement with the current Airport Operator (Lucknow International Airport Limited) on February 14, 2020, for the Operations, Management and Development of the Airport for a period of 50 years from the Commercial Operation Date (COD) and the COD was achieved on November 2, 2020. The period from FY 2016-17 to November 1, 2020 has been considered as pre-COD period and the period from COD till March 31, 2021, has been considered as post-COD period. In this tariff determination exercise, as two Airport Operators are involved i.e., Airports Authority of India (pre-COD) and Lucknow International Airport Limited (post-COD), for the sake of clarity in this Consultation Paper, AERA has used AAI for Airports Authority of India for pre-COD period and Airport Operator for Lucknow International Airport Limited for the post-COD period. As per the provisions of the Concession Agreement, AAI and the Airport Operator have submitted their Multi Year Tariff Proposal (MYTP) as follows:

- True up submission of AAI for the pre-COD period from FY 2016-17 up to COD,
- True up submission of Airport Operator for the post-COD period from the COD up to March 31, 2021
- MYTP for the Third Control Period from April 1, 2021 to March 31, 2026 submitted by the Airport Operator.

For this Consultation Paper, the Authority has considered the audited figures submitted by AAI for CCSIA for the Pre-COD Period (FY 2017 to November 1, 2020) and the audited financials submitted by the Airport Operator from November 2, 2020 (COD) till March 31, 2021.

The Authority has released this Consultation Paper putting forward its proposals in the background of i) Government of India's decision to resume commercial flights and pick up in the passenger/ ATM traffic and ii) involvement of two Airport Operators in the tariff determination process.

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 aeronautical services. The Authority would like to emphasize that the consultation process timelines are sacrosanct and hereby requests the stakeholders to provide their comments/ inputs within the timelines specified in this Consultation Paper, beyond which the same will not be considered by the Authority.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No.16/2022-23 dated February 20, 2023 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: director-ps@aera.gov.in, rajan.gupta1@aera.gov.in, secretary@aera.gov.in

Stakeholder Consultation Meeting:	March 7, 2023
Last Date for submission of comments:	March 24, 2023
Last Date for submission of counter comments:	April 5, 2023

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: 011-24695043.

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GLOSSARY

Abbreviation	Full Form
AAHL	Adani Airport Holdings Limited
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
ACI	Airport Council International
AERA / Authority	Airports Economic Regulatory Authority of India
AERA Act	Airports Economic Regulatory Authority of India Act, 2008
AEL	Adani Enterprises Limited
AFS	Air Freight Station
AO	Airport Operator
AODB	Airport Operational Data Base
ANS	Air Navigation Services
ARR	Aggregate Revenue Requirement
Asset Allocation Report	Study on allocation of assets between Aeronautical and Non-aeronautical assets for Lucknow International Airport Limited
ATC	Air Traffic Control
ATM	Aircraft Traffic Movement
ATF	Aviation Turbine Fuel
AOCC	Airport Operations Control Centre
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BHS	Baggage Handling System
BIAL	Bangalore International Airport Limited
BOQ	Bill of Quantities
CA	Concession Agreement
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CAR	Civil Aviation Regulations
CCSIA	Chaudhary Charan Singh International Airport
CFT	Crash Fire Tender
CGF	Cargo, Ground Handling and Fuel supply to Aircraft
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CNS	Communication, Navigation and Surveillance
COD	Commercial Operation Date
CSR	Corporate Social Responsibility

Abbreviation	Full Form
CUSS	Common User Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Works in Progress
DAC	Dense Asphaltic Concrete
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
FA	Financing Allowance
FIDS	Flight Information Display System
FOD	Foreign Object Debris
FRoR	Fair Rate of Return
GHA	Ground Handling Agency
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GST	Goods and Services Tax
HoS	Head of Stand
IATA	International Air Transport Association
ICD	Inland Container Depots
ICT	Integrated Cargo Terminal
IDC	Interest During Construction
IOCL	Indian Oil Corporation Limited
KL	Kilo Litres
KLD	Kilo Litres per day
LDA	Landing Distance Available
LIAL	Lucknow International Airport Limited
LMC	Lean Mix Concrete
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
MIAL	Mumbai International Airport Limited
NAR	Non-aeronautical revenue
O&M study report	Study on Efficient Operations & Maintenance expenses for Lucknow International Airport Limited
OMCs	Oil Marketing Companies
ORAT	Operational Readiness and Airport Transfer
PCN	Pavement Classification Number
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee

Abbreviation	Full Form
PTB	Passenger Terminal Building
PV	Present Value
RESA	Runway End Safety Area
RAB	Regulatory Asset Base
RFP	Request for Proposal
RHQ	Regional Headquarters
RWH	Rainwater Harvesting
SDAC	Semi Dense Asphaltic Concrete
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metre
STP	Sewage Treatment Plant
TT	Tank Truck
UDF	User Development Fees
ULD	Unit Load devices
WPI	Wholesale Price Index
YPP	Yield per Passenger

1. INTRODUCTION

1.1. Background

1.1.1. Lucknow is the capital city of the state of Uttar Pradesh, the most populous state in India and a major hub for various industries such as IT, automotive, distillery, chemicals and garments. Being located in the State Capital and due to its proximity to Kanpur (located 75 km from Lucknow) CCSIA serves the air traffic demand of Lucknow as well as of Kanpur and has a substantial catchment of Gulf bound air traffic.

1.1.2. Chaudhary Charan Singh International Airport (CCSIA) is situated on southern edge of Lucknow, on Lucknow-Kanpur National Highway (NH 27) about 11 km south of Lucknow Railway Station which is located in center of the city. CCSIA is an International Airport serving this capital city and is one of the three international airports in Uttar Pradesh, the others being Varanasi International Airport in Varanasi and Kushi Nagar International Airport in Gorakhpur. The Airport was earlier known as Amausi Airport when it was commissioned in 1986, with Terminal T1 for domestic operations. It was formally re-named as Chaudhary Charan Singh International Airport on July 17, 2008. The 2nd Terminal (T2) equipped with latest technology was inaugurated in May 2012. The 3rd Terminal (T3) is under construction, which will be completed in two phases. Terminal T1 will be demolished after the completion of the first phase of the construction of the new Terminal T3.

1.1.3. CCSIA is currently operated and managed by Lucknow International Airport Limited (Airport Operator) a private company incorporated as a wholly owned subsidiary of Adani Enterprises Limited (AEL). Subsequently, Adani Airport Holdings Ltd (AAHL) acquired 49% shareholding in the Lucknow International Airport Limited and therefore the Shareholding pattern of AEL has changed to 51%. The current shareholding pattern of the Airport Operator is shown in the table below:

Table 1: Shareholding pattern of the Airport Operator

S.no.	Name of Shareholder	% Shareholding
1	Adani Enterprises Limited (AEL)	51%
2	Adani Airport Holding Limited (AAHL)	49%
	TOTAL	**100%**

1.2. Profile of Chaudhary Charan Singh International Airport (CCSIA)

1.2.1. CCSIA is a Major Airport as per the definition of Major Airport under section 2(i) of the Airports Economic Regulatory Authority of India Act, 2008 (read with AERA Amendment Act 2019 and AERA Amendment Act 2021).

1.2.2. Technical and Terminal Building details of CCSIA submitted by the Airport Operator are provided in the table below:

Table 2: Technical and Terminal Building details of CCSIA submitted by the Airport Operator

Particulars	Details
Total airport area	1,258.80 acres
Total covered area of Terminal Buildings	Terminal 1 - International-8,965 sqm Terminal 2 - Domestic-20,850 sqm
Designated Capacity	Existing 4.3 MPPA (T2-3.5 MPPA and T1-0.8 MPPA)

Particulars	Details
Runway orientation and length (currently in use for all commercial flights)	Runway 09/27, dimension 2744m x 45m
Apron	19 nos. stands (12 Code C + 2 Code E+ 5 Code B stands)
Taxiway	7
Boarding Bridges	2 Numbers
Security Gates	Domestic - 9 and International - 3

1.2.3. CCSIA was 12th busiest airport for the FY 2019-20 (pre-COVID period) and 11th busiest airport for FY 2020-21[1] and FY 2021-22 among the top 50 busiest airports in India by the passengers handled. The total traffic handled by CCSIA in FY 2019-20 is 5.46 MPPA (Domestic: 4.69 MPPA (86%) and International: 0.74 MPPA (14%)). The passenger traffic recorded for FY 2020-21 is 2.44 MPPA and that of FY 2021-22 is 3.30 MPPA.

Development of CCSIA through PPP mode

1.2.4. CCSIA was operated by the Airports Authority of India (AAI) which had entered into a Concession Agreement with Lucknow International Airport Limited (Airport Operator) on February 14, 2020 for the Operation, Management and Development of CCSIA for a period of 50 years from the Commercial Operation Date (COD). The COD was achieved on November 2, 2020 in accordance with the terms and conditions mentioned in the Concession Agreement. In consideration for the grant of such concession, the Airport Operator shall pay the AAI a monthly concession fee during the concession period, namely, specified amount of 'Per Passenger' fee for both domestic and international passengers (refer to Para 17.3.2 of Annexure 3 in Chapter 17 for the relevant clause of the Concession Agreement).

1.2.5. However as per the terms of the Concession Agreement and MoU dated October 21, 2020, only the AAI through the designated GoI agencies shall be authorised to undertake the 'reserved services' at the airport, namely, CNS/ATM services, Security services, Meteorological services, Mandatory health services, Customs control, Immigration services, Quarantine services and any other services as may be notified by GoI (refer to Para 17.3.2 of Annexure 3 in Chapter 17 for the relevant clause of the Concession Agreement)

1.2.6. CCSIA presently has two operating Passenger Terminals- T1 is the International Terminal and T2 is the Domestic Terminal. The single level Terminal T1 is the older Terminal, which was originally commissioned in 1986 for domestic operations, but was later converted into International Terminal. Terminal T2 was commissioned in 2012 for integrated operations. However, due to capacity constraints, Terminal 1 was re-commissioned for international operations with effect from December 2012, while domestic operations were retained in T2. Terminal T2 has five departure gates. Both the existing terminals at CCSIA have been operating at full capacity, therefore Airports Authority of India (AAI) initiated development of new Integrated Terminal - T3 in September 2018 with an area of approximately 1,50,805 Sq.m and designed capacity of 10 MPPA. AAI had initiated development of Terminal T3 with the intention of retaining Terminal T2 as operational, along with the new Terminal T3.

The development of new Integrated Terminal T3 with an area of approximately 150,805 Sq.m (including basement) was handed-over by AAI to the Airport Operator under Schedule T as part of the terms of Concession Agreement and is currently in progress. The relevant portion of Schedule T (containing list of existing revenue contracts, capital works-in-progress of the ongoing

[1] *As per data on top 50 busiest airports for FY 2019-20 and FY 2020-21, published by AAI*

projects) and Schedule U (detailing list of Construction works proposed to be implemented by AAI as on the date of signing of the Agreement) forming part of the terms of Concession Agreement, have been provided in Para 17.3.3 of Annexure 3 of Chapter 17.

The Airport Operator after taking over the above project from AAI, has submitted further plans to increase the final built-up area of Terminal T3 to approximately 151,205 Sq.m.

1.3. Cargo Operations

1.3.1. Currently the Cargo facility at CCSIA is operated by AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI. The area of the Cargo facility retained in the Carved-out area, i.e., ear-marked for AAICLAS is 11,000 Sq.m as per Annexure IV of Schedule A to the Concession Agreement (refer to Para 17.3.4 of Annexure 3 in Chapter 17). Hence under the Concession Agreement it is retained by AAI and not transferred to the Airport Operator.

1.3.2. However, Clause 19.4.1. of Concession Agreement mentions about the obligations of the Airport Operator for upgrading, developing, operating and maintaining the Cargo Facilities in accordance with the provisions of the Concession Agreement, Applicable Laws, Permits and Good Industry Practices (refer to Para 17.3.5 of Annexure 3 of Chapter 17).

1.3.3. The Airport Operator is currently handling an Interim Cargo facility which is approx. 1,000 Sq. m. with annual handling capacity of 5,000 tons which is not sufficient to meet the future demand forecast of air cargo volume for CCSIA.

1.3.4. Pursuant to the above agreed terms of the Concession Agreement and in order to cater to the growing demands at the CCSIA, the Airport Operator has planned to develop a new Integrated Cargo Terminal (greenfield facility) having an area of approximately 5,826 Sq.m. and an annual capacity of approx. 30,000 tons.

1.4. Ground handling operations

1.4.1. The Clause 19.2 of the Concession Agreement mentions the Airport Operator’s obligations towards provision of infrastructure required for ground handling services at the CCSIA and the extract of the relevant Clause has been provided in Para 17.3.6 of Annexure 3 of Chapter 17.

1.4.2. Further subject to the provisions of the Concession Agreement, the Airport Operator has the right to grant License to any entity for providing Ground Handling Services at CCSIA on such terms and conditions to be mentioned in the License Agreement between by the Airport Operator and the potential service providers.

1.4.3. Pursuant to above terms of the Concession Agreement the Airport Operator has engaged GSEC Bird Airport Services Private Limited and AI Airport Services Limited (AIASL) for provision of such Ground Handling services at CCSIA.

1.5. Fuel Facility Operations

1.5.1. The Clause 19.3. of the Concession Agreement mentions the Airport Operator’s obligations towards providing aircraft fueling services, which has been provided in Para 17.3.7 of Annexure 3 of Chapter 17.

1.5.2. Currently, various Oil Marketing Companies (OMCs) (like IOCL, Reliance etc.) have their respective fuel tanks and refueling facilities at CCSIA, Lucknow. The Airport Operator has planned to commence the Fuel facility operations, by initially purchasing the existing assets of IOCL and Reliance and subsequently build new assets to provide “Open access” fuel facility at the Airport for aircrafts.

2. TARIFF DETERMINATION OF CHAUDHARY CHARAN SINGH INTERNATIONAL AIRPORT

2.1. Introduction

2.1.1. AERA was established by the Government of India vide notification No. GSR 317(E) dated May 12, 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airports Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'the Act') read with AERA (Amendment) Act 2019 and 2021, which are as below:

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

i. the capital expenditure incurred and timely investment in the improvement of airport facilities.

ii. the service provided, its quality and other relevant factors

iii. the cost for improving efficiency.

iv. economic and viable operation of Major Airports

v. revenue received from services other than the Aeronautical services

vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and

vii. any other factor which may be relevant for the purpose of this Act:

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

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

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

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

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

i. Aeronautical services provided by the Airport Operators.

ii. Cargo, Ground Handling and Fuel Supply Services; and

iii. Air Navigation Services.

2.1.3. AAI shall be handling the Air Navigation Systems (ANS) at CCSIA. Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

2.2. Authority's orders applied in tariff proposals in this Consultation Paper

2.2.1. Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have been issued by the Authority. The details of Orders and Guidelines issued in this regard 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 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.

v. Order No. 20/2016-17 dated 31.03.2017 in the matter of allowing Concession to Regional Connectivity Scheme (RCS) Flights under RCS – Ude Desh ka Aam Naagrik (UDAN) at Major Airports.

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 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India.

2.3. Past Tariff determination history of CCSIA

2.3.1. CCSIA is a Major Airport as per the definition of Major Airport under section 2(i) of the Airports Economic Regulatory Authority of India Act, 2008 (read with AERA Amendment Act 2019 and AERA Amendment Act 2021).

2.3.2. Pursuant to the AERA Act 2008, the Authority issued guidelines for the purpose of determination of aeronautical tariffs at Major Airports. CCSIA had submitted Multi Year Tariff Proposals (MYTP) for the First Control Period from FY 2011-12 to FY 2015-16, in respect of which the Authority had determined the Aeronautical tariff vide its Order No. 9/2014-15 dated August 29, 2014.

2.3.3. With respect to the Second Control Period of CCSIA commencing from FY 2016-17 to FY 2020-21, the Authority had determined the Aeronautical tariff vide its Order No. 37/2017-18 dated February 16, 2018, Also, the Authority had issued Order No. 24/ 2020-21 dated July 2, 2020 read with corrigendum dated August 4, 2020 with respect to provision of compensation in lieu of Fuel throughput charges at CCSIA.

2.3.4. AAI and the Airport Operator entered into a Concession agreement on February 14, 2020 for Operation, Management and Development of CCSIA and the date of Commercial Operations (COD) was November 2, 2020. Considering the same, the Authority issued Order No. 49/2020-21 dated October 29, 2020 approving the existing tariff for CCISA till March 31, 2021. Subsequently, in the background of the concession of CCSIA and the relevant clauses thereon, the Authority extended the existing tariff from time to time in this regard and the exiting tariff is valid up to March 31, 2023.

AERA had determined Cargo tariff for AAICLAS vide order dated 41/2020-21 dated September 1, 2020, which is effective up to March 31, 2024. AO had taken over the Cargo Handling facility at CCSIA from AAICLAS with effect from November 2, 2020, pursuant to which the Authority vide Order No. 51/2020-21 dated November 4, 2020 allowed AO to levy existing tariff applicable as on November 1, 2020.

2.4. Multi Year Tariff Proposal submission

2.4.1. As per the Concession Agreement between AAI and the Airport Operator (clause 28.11.3), the Estimated Deemed Initial RAB as on March 31, 2018, was determined to be ₹ 143 Crores. Further, it is stated in the Concession Agreement that the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA. *The extract of the relevant clauses 28.11.3, 28.11.4 and 28.11.5 from the Concession Agreement have been provided in Para 17.3.8 of Annexure 3 under Chapter 17.*

2.4.2. In compliance with the above terms in the Concession Agreement, AAI and the Airport Operator have submitted MYTP to the Authority for the following period:

- Submission by AAI for true up of the period from FY 2016-17 up to COD.
- Submission by the Airport Operator for true up of the period from COD up to March 31, 2021and the MYTP for the Third Control Period.

Tariff determination for the Pre- COD and Post-COD period

(i) Pre-COD Period

2.4.3. AAI had submitted initial true up for the Pre-COD period from FY 2016-17 up to COD vide letter dated October 18, 2021.

2.4.4. The Authority based on its preliminary scrutiny of the true up figures submitted by AAI, observed various discrepancies and upon enquiry, AAI provided information from time to time till February 2022 and submitted a revised true up statement on February 14, 2022. The Authority noted variances between the assets transferred by AAI as on COD and that recorded by the Airport Operator. In order to resolve such differences, the Authority intervened and convened a meeting on March 24, 2022 with AAI and the Airport Operator for a joint reconciliation of the assets handed over by AAI and taken over by the Airport Operator. Subsequent to this meeting, AAI and the Airport Operator submitted a Joint Asset Reconciliation Statement on March 30, 2022 of the assets handed over by AAI on November 2, 2020 and taken over by the Airport Operator as on COD. The same has been discussed in detail in the Asset Allocation report (refer Appendix I to Chapter 17 of this Consultation Paper). AAI also submitted a revised true up statement for the Pre-COD period on April 1, 2022 incorporating the revised RAB jointly reconciled with the Airport Operator. Further, AAI has revised the true up statement and submitted the same on June 28, 2022. The sequential timeline of the above events has been presented in the table below:

Table 3: MYTP and True up submission of AAI

Event	Date
Submission of original true up submission by AAI	October 18, 2021
Submission of revised true up by AAI	February 14, 2022
Meeting convened by the Authority with AAI and	March 24, 2022

Event	Date
Airport Operator for joint reconciliation of assets transferred as on COD	
Submission of Joint Asset Reconciliation statement by AAI and Airport Operator	March 30, 2022
Submission of revised true up by AAI incorporating the revised RAB as on COD jointly reconciled with the Airport Operator	April 1, 2022
Submission of revised true up by AAI with changes to Operation and Maintenance expenses claimed for the pre-COD period.	June 28, 2022
AAI's responses to queries raised by Authority's Independent Consultant on the true up submitted for the pre-COD period	April 2022 to December 2022

(ii) Post-COD Period

2.4.5. The tariff determination for the post-COD period has been considered for the Airport Operator under the following categories:

a) True up of the period from COD till March 31, 2021

b) Tariff determination for the Third Control Period i.e. from April 1, 2021 to March 31, 2026.

c) The Airport Operator submitted an initial Multi Year Tariff Proposal (MYTP) for the Period from April 1, 2021 to March 31, 2026 on July 31, 2021 and the revised MYTP vide letter dated January 10, 2022, by incorporating certain revisions to the projections made towards Capital and Operating expenses. The document is available on the AERA's website.

Table 4: MYTP and True up submission of AO

Event	Date
Submission of original MYTP by AO	July 31, 2021
Submission of revised MYTP by AO	January 10, 2022
Meeting convened by the Authority with AAI and Airport Operator for joint reconciliation of assets transferred as on COD	March 24, 2022
Submission of Joint Asset Reconciliation statement by AAI and Airport Operator	March 30, 2022
AO's responses to queries raised by the Authority's Independent Consultant on CAPEX and O&M expenses submitted for the Third Control Period.	April 2022 to January 2023

2.4.6. As the CCSIA had been taken over and operated by the Airport Operator from the COD i.e. November 2, 2020, the Authority has considered to true up the necessary building blocks of the Airport Operator for the five month period commencing from November 2, 2020 up to March 31, 2021. Accordingly, the Authority has considered the Third Control Period of five years for the Airport Operator from April 1, 2021 to March 31, 2026.

2.4.7. The Authority has appointed an independent consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by the Airport Operator for the Third Control period. M/s R. Subramanian and Company LLP has further assisted the Authority in examining the true up submission of AAI for the pre-COD period, by comparing the each regulatory building block with the Tariff Order for the Second Control period, reviewing true up submission of the Airport Operator for the post COD period, performed independent studies on the allocation of assets between Aeronautical and Non-aeronautical activities and efficient O&M expenses of CCSIA for the Second Control Period, examined the MYTP of the Airport Operator by verifying the data from various supporting documents submitted by the Airport Operator such as audited financials, Fixed Asset Register (FAR), documentary evidence of the process of approval of capital addition projects including award of various work orders, examining the building blocks in tariff determination, visiting the site in July 2022 and also ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.

2.4.8. The Authority through its Independent Consultant has examined the revised MYTP submitted by Airport Operator and verified the data and the projections for the Third Control Period. In its revised MYTP submission, the AO had not provided detailed break-up and supporting information regarding capital expenditure projects for the Third Control Period. The Authority requested the AO vide email dated June 17, 2022 to share the list of projects proposed to be carried out in the Third Control Period, Master plan of the Airport and other documentary evidences supporting the approval and execution of Capital Expenditure projects. The Authority requested various clarifications on the information shared by the AO to assess the reasonableness of the proposed capital expenditure for finalizing this Consultation Paper.

2.4.9. The Authority notes that clause 5.7.1 of Direction 5/ 2010-11 pertaining to Terms and Conditions for determination of Tariff for Airport Operators Guidelines, 2011 states that *" For any service provided by the Airport Operator for (i) ground handling services relating to aircraft, passengers and cargo at an airport; (ii) the cargo facility at an airport and (iii) supplying fuel to the aircraft at an airport, the Authority shall follow the regulatory approach and process for tariff determination as mentioned in the Direction No. 4/ 2010-11 on Terms and Conditions for determination of Tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to the Aircraft Guidelines, 2011".*

Further, clause 1.2 of the Direction No.4/ 2010-11 states that *"these Guidelines shall apply to Service Provider(s) for (i) the Cargo facility at a Major Airport, (ii) ground handling relating to aircraft, passengers and cargo at a major airport and for (iii) supplying fuel to the aircraft at a major airport: Provided that Airport Operator providing the Regulated Service(s) as defined herein shall be excluded from the application of these Guidelines.*

Taking cognizance of the above provisions laid out under Direction 5/ 2010-11 and Direction 4/ 2010-11 and the fact that the Airport Operator is providing the services on cargo facility and supplying fuel to the aircraft, the Authority has examined the Assets, Expenses and Revenues pertaining to Cargo and Fuel farm of the AO separately under the relevant chapters in this Consultation Paper, for the purpose of determining Aggregate Revenue Requirement of the Airport Operator.

2.4.10. This Consultation Paper has been developed in the order of the events and as explained above. Chapter-wise details have been summarised as follows:

i. The background of the Authority's tariff determination process is explained in this Chapter and in Chapter 3, wherein the framework for determination of tariff is discussed.

ii. Chapter 4 lists out the submissions of AAI for true up of the Pre- COD period which is from FY 2016-17 to November 1, 2020. This is followed by the Authority's examination and proposals on the specific issues regarding the true up for the Period FY 2016-17 till COD. This chapter also discuss the assessment and the outcome of the studies conducted by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is given under Annexures to this Consultation Paper and the reports have been appended separately to the Consultation Paper.

iii. Chapter 5 lists out submission of the Airport Operator for true up of the period from November 2, 2020 (COD) up to March 31, 2021. This is followed by the Authority's examination and proposals on the specific issues regarding the true up for the Period from COD up to March 31, 2021. This chapter also discusses the assessment and the outcome of the studies conducted by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is given under Annexures to this Consultation Paper and the reports have been appended separately to the Consultation Paper.

iv. Chapter 6 presents the submissions of the AO regarding Traffic Projections and the Authority's proposals on the same.

v. Chapter 7 includes the submissions of the AO regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical capital expenditure useful lives and RAB for the Third Control Period.

vi. Chapter 8-13 includes the submissions of the AO regarding various building blocks pertaining to the Third Control Period including Fair Rate of Return, Inflation, Operating Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals on each matter.

vii. Chapter 14 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposals for the Third Control Period.

viii. Chapter 15 summarizes the Authority's proposals put forward for consultation.

ix. In Chapter 16 the Authority invites views of all the stakeholders regarding proposals put forward for tariff determination for the Third Control Period in the Consultation Paper.

x. Chapter 17 contains Annexures.

- Annexure 1 – Summary of study on allocation of assets between Aeronautical and Non-aeronautical assets
- Annexure 2 – Summary of study on efficient Operation and Maintenance expenses
- Annexure 3 – Clauses of the Concession Agreement entered between AAI and Airport Operator
- Annexure 4 - Details of the building/ civil structure used for ANS activities, which has been transferred to AO
- Annexure 5 - Project wise details of Capital expenditure submitted by the AO in the revised MYTP as on January 10, 2022

xi. Chapter 18 contains the list of Appendices.

2.4.11. The AO should submit the Annual Compliance Statement in the form and manner provided under section A5.10 of Appendix 5 *of the Terms and Conditions for determination of tariff for Airport Operators Guidelines, 2011,* based on its annual audited accounts for a particular tariff year.

2.5. Studies commissioned by the Authority

2.5.1. The Authority commissioned the following studies through its Independent Consultant for the purpose of tariff determination of CCSIA, which are as follows:

a) **Study on allocation of Assets between Aeronautical and Non-Aeronautical Assets:** The Study has carried out a detailed analysis of the Regulatory Asset Base (RAB) of both AAI and the AO. The study has developed a rationale for classification of assets into Aeronautical, Non-aeronautical, Air Navigation Services (ANS) and Common. It then apportioned the Common assets based on appropriate ratios. Further, the Study has also examined the assets transferred from AAI to AO (as on COD) and determined the Deemed Initial RAB as on COD.

b) **Study on efficient Operation and Maintenance Expenses**: The Study examined the historical trends in the O&M expenses of CCSIA and assessed how the Airport has been performing in comparison to the select peers in the industry. The Study verified the classification of the various expenses between Aeronautical, Non-aeronautical, ANS and Common and made revisions wherever necessary. The Common expenses were further apportioned based on appropriate ratios. Further, the Study ascertained the expenses that were unreasonably high and rationalized them based on suitable benchmarks.

2.5.2. The recommendations of these studies have been used in this Consultation Paper. The summary of the Study on Allocation of Assets is given in Annexure 1 of this Consultation Paper and the study is attached as Appendix 1 of this Consultation Paper. The summary of the Study on Efficient Operation and Maintenance Expenses is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper.

3. FRAMEWORK FOR TARIFF DETERMINATION OF CCSIA FOR THE THIRD CONTROL PERIOD

3.1. Methodology

3.1.1. The Methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, the AERA (Terms and Conditions for determination of Tariff for Airport Operators) Guidelines, 2011 and further Guidelines issued by AERA from time to time.

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

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

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

Where,

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

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

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

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

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

3.2. Revenues from Air Navigation Services (ANS)

3.2.1 The Airport Operator shall be performing Aeronautical services like landing, parking, ground handling, cargo and fuel farm supply services at CCSIA and has submitted revenue projections for the same in the Third Control Period in its MYTP. However, AAI shall be handling the Air Navigation Systems (ANS) at CCSIA and hence the MYTP submitted by Airport Operator does not consider revenues, expenditure, and assets on account of ANS.

3.2.2 Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

4. TRUE UP OF AAI FOR THE SECOND CONTROL PERIOD FROM FY 2017 TILL COD

4.1 Background

4.1.1 AAI had entered into a Concession Agreement dated February 14, 2020, with Lucknow International Airport Limited (LIAL, the 'Concessionaire') for the Operations, Management and Development of CCSIA for a period of 50 years from the COD, i.e., November 2, 2020.

4.1.2 As per the Concession Agreement between AAI and the Airport Operator (clause 28.11.3), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.

4.1.3 Pursuant to the above Concession Agreement, AAI has submitted True up workings for the period April 1, 2016 up to November 1, 2020.

4.1.4 The true up workings submitted by AAI covers the following building blocks:

i. Traffic

ii. Regulatory Asset Base

iii. Aeronautical Depreciation

iv. Fair Rate of Return

v. Aeronautical Operation and Maintenance Expenses

vi. Non-aeronautical Revenue

vii. Aeronautical Taxes

4.1.5 The Authority has examined the AAI's true up submission in detail. Analysis of the Authority, has been organized as follows:

i. Recorded AAI's submission regarding different regulatory building blocks for true up of the Second Control Period till COD

ii. Recapped the decisions taken by the Authority in the Tariff Order for the Second Control Period (Order No. 37/ 2017-18 dated February 16, 2018)

iii. Provided the Authority's examination and proposals regarding the true up calculation of each regulatory building block for the Second Control Period till COD

4.2 AAI's submission of True up for the Pre-COD Period (from FY 2016-17 to COD)

4.2.1 As mentioned in Para No. 2.4.4 of this Consultation Paper, AAI has submitted a revised True Up submission on June 28, 2022. The details of the same have been provided below:

Table 5: Submission of True up of Pre-COD Period by AAI for the period from FY 2016-17 to November 1, 2020

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
Opening RAB	153.11	181.00	176.63	203.75	211.22	
Closing RAB	181.00	176.63	203.75	211.22	197.82	
Average Regulatory Asset Base (RAB)	**167.06**	**178.82**	**190.19**	**207.49**	**204.52**	

Particulars	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21 up to Nov 1, 2020**	**Total**
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%	
Return on Average RAB	**23.39**	**25.03**	**26.63**	**29.05**	**28.63**	**132.73**
Depreciation	10.88	11.93	19.97	19.11	11.02	**72.92**
Operating Expenditure	101.80	123.78	132.70	142.89	84.57	**585.74**
Return on Land	1.92	1.92	1.92	1.92	1.92	**9.60**
Unamortised portion of Land - Balance of Land Value	0.00	0.00	0.00	0.00	16.28	**16.28**
Corporate Tax	9.40	7.92	0.00	0.00	86.61	**103.93**
Add: Carry forward of Shortfall from First Control Period	65.80	-	-	-	-	**65.80**
Less: Deductions for Non-aeronautical Revenues	(12.33)	(14.06)	(14.99)	(16.72)	(2.54)	**(60.63)**
Total Gross ARR	**200.87**	**156.53**	**166.23**	**176.25**	**226.51**	**926.39**
Revenue earned from Aeronautical Services	**160.66**	**180.29**	**126.30**	**124.04**	**26.51**	**617.80**
(Excess) / Shortfall	**40.21**	**(23.76)**	**39.93**	**52.22**	**199.99**	**308.59**
PV Factor	**1.69**	**1.48**	**1.30**	**1.14**	**1.00**	
PV of (Excess) / Shortfall	**67.92**	**(35.20)**	**51.89**	**59.53**	**199.99**	**344.13**

4.3 Authority's examination of True up submitted by AAI for the period from FY 2016-17 to November 1, 2020

The Authority has taken cognizance of 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.

The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 37/ 2017-18 dated February 16, 2018 have been reproduced below:

- ***Decision No.1 – True Up for the 1st Control Period***

  1a. The Authority decides to true-up the 1st Control Period on the basis of Single Till

  1b. The Authority decides to apportion CHQ/ RHQ overheads on revenue basis.

  1c. The Authority decides to consider the revenues from Cargo facility, Ground Handling services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.

  1d. The Authority decides the following depreciation rates.

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

  ii. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 35.

  1e. The Authority decides to consider short fall of ₹ 65.8 crores in the 1st control period to be added to ARR for the 2nd Control Period.

- ***Decision No.2 – Traffic Forecast***

  2a. The Authority decides to consider the ATM and passenger traffic as per Table 19.

2b. The Authority decides to true up the traffic volume (ATM and passengers) based on actual traffic in 2nd Control period while determining tariffs for the 3rd control period.

- ***Decision No.3 – Allocation of assets between Aeronautical and Non-Aeronautical services***

3a. The Authority decides to allocate assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 23.

- ***Decision No.4 – Opening Regulatory Asset Base for the 2nd control period***

4a. The Authority decides to consider the opening regulatory base for the 2nd control period under Hybrid Till as ₹ 153.1 crores.

- ***Decision No.5 – Capital Expenditure***

5a. The Authority decides to consider allowable project cost of ₹ 864.5 crores and accordingly to reckon the amount of ₹ 864.5 crores as addition for total assets during the 2nd control period.

5b. The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.

5c. The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalisation of underlying assets in a given year.

- ***Decision No.6 – Treatment of Depreciation***

6a. The Authority decides to adopt depreciation rates as per Table 35 and depreciation for the 2nd control period as per Table 36.

6b. The Authority decides to consider the depreciation rates as per the Order No. 35/2017-18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period. It shall make necessary adjustments in RAB accordingly.

- ***Decision No.7 – RAB for 2nd control period***

7a. The Authority decides to consider RAB for 2nd control period as given in Table 38.

7b. The Authority decides to true up the RAB of 2nd control period based on actual asset addition and consider the depreciation rates as per the order No. 35/2017-18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period.

- ***Decision No.8 – FRoR***

8a. The Authority decides to consider the FRoR at 14% for CCSIA for the 1st and 2nd control period.

8b. The Authority will undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.

- ***Decision No.9 – Non-Aeronautical Revenues***

9a. The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue.

9b. The Authority decides to consider the Non-Aeronautical revenue as per Table 42.

9c. The Authority decides that Non-Aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the

Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.

- ***Decision No.10 – Operation and Maintenance Expenditure***

10a. The Authority decides to consider the operational and maintenance expenditure as given in Table 49 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.

10b. The Authority expects AAI to reduce O&M expenditure over a period of time.

10c. The Authority decides to true up the O&M expenditure for 2016-17 to 2020-21 of the 2nd control period based on the actuals at the time of determination of tariffs for the 3rd control period.

10d. The Authority decides the following factors for corrections while determining tariffs for the next control period:

i. *Mandated cost incurred due to directions issued by regulatory agencies like DGCA;*
ii. *Cost of actual operating expenses including electricity;*
iii. *All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/ service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up.*

- ***Decision No.11 – Taxation***

11a. The Authority decides the corporate tax for aeronautical activities as per Table 51 for the 2nd control period.

11b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2nd control period during determination of tariffs for the 3rd control period.

- ***Decision No.12 – Tariff rate card***

12a. The Authority decides to consider the Annual Tariff proposals as proposed by the Authority in Table 55 (and Annexure) for determination of tariff during 2nd control period as the present value of projected revenues (yield) by the Authority is equal to the present value of ARR (yield) by the Authority is equal to the present value of ARR (yield). The Authority decides to accept the increase in tariffs for the subsequent years of the second control period as below:

i. *Yearly increase of 4% every subsequent year (FY 2018-19 onwards) in landing, parking and housing charges*
ii. *Yearly increase of 5% every subsequent year (FY 2018-19 onwards) in fuel throughput charges*
iii. *Yearly increase of 4% every subsequent year (FY 2018-19 onwards) in UDF per departing passenger*

12b. The Authority decides to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 09.02.2004 in order to encourage and promote intra-regional connectivity at CCSIA.

12c. The Authority decides to provide waiver of landing and other charges in line with the Order No. 20/2016-17 dated 31.03.2017 of the Authority.

12d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.03.2018.

12e. The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.

4.4 True up of Traffic

4.4.1 The actual passenger traffic and ATM of CCSIA for the Second Control Period submitted by AAI is as follows:

Table 6: AAI's submission for True up of traffic for the Second Control Period for CCSIA

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
FY 2016-17	3,307,351	661,599	3,968,950	24,540	4,816	29,356
FY 2017-18	4,013,891	739,030	4,752,921	31,231	5,182	36,413
FY 2018-19	4,697,121	835,698	5,532,819	36,258	5,494	41,752
FY 2019-20	4,696,669	737,088	5,433,757	33,593	4,901	38,494
FY 2020-21 (up to COD)	6,80,076	1,65,169	8,45,245	7,389	1,517	8,906
FY 2020-21 (COD till March 31, 2021)	1,346,532	2,49,260	1,595,792	12,183	1,865	14,048
Total	**18,741,640**	**3,387,844**	**22,129,484**	**145,194**	**23,775**	**168,969**

4.4.2 The Authority verified the actual Passenger traffic and ATM (as per Table 6) for the Second Control Period based on the details available on AAI's website and noted no variances.

4.4.3 The Authority examined the actual passenger traffic and ATM of CCSIA with the traffic projections approved by the Authority in the Tariff Order No. 37/ 2017-18 for the Second Control Period, which is as follows:

Table 7: Passenger traffic and ATM approved by the Authority in the Tariff Order for the Second Control Period for CCSIA

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
FY 2016-17	3,307,351	661,599	3,968,950	24,540	4,816	29,356
FY 2017-18	3,850,475	740,584	4,591,059	27,485	5,298	32,783
FY 2018-19	4,482,789	829,000	5,311,788	30,783	5,828	36,611
FY 2019-20	5,218,939	927,970	6,146,909	34,477	6,410	40,888
FY 2020-21	6,075,978	1,038,757	7,114,735	38,615	7,051	45,666
Total	**22,935,532**	**4,197,910**	**27,133,441**	**155,900**	**29,403**	**185,304**

4.4.4 The Authority notes from the above table that the actual Passenger traffic and ATM for the first three tariff years of the Second Control Period (as per Table 6) is more or less in line with that approved by the Authority in the Tariff Order for the Second Control Period, although there are minor deviations.

4.4.5 The Authority notes that there has been a decrease in the Passenger and ATM traffic particularly in the FY 2019-20, which is a pre-COVID year, mainly due to the closure of operations by Jet Airways with no replacement for those vacant slots and the impact of COVID pandemic towards the end of the FY 2019-20.

4.4.6 The actual traffic for the 5th tariff year viz., FY 2020-21 is significantly lower than the projections in Tariff order for the Second Control Period, due to the adverse impact of the ongoing COVID-19 pandemic.

4.4.7 Based on the above facts, the Authority proposes to consider the actual passenger traffic and ATM as submitted by AAI (*Table 6*) for true up of the Second Control Period (up to COD), in line with its decision no. 2b of the Tariff Order No. 37/ 2017-18 dated February 16, 2018, which states "*The Authority decides to true up the traffic volume (ATM and passengers) based on actual traffic in 2nd Control period while determining tariffs for the 3rd control period.*"

4.5 True up of RAB

4.5.1 AAI has submitted RAB for the Second Control Period (up to COD) as follows:

Table 8: RAB submitted by AAI as part of true up of the Pre-COD period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to COD)	Total
Opening RAB (1)#	**153.11**	**181.00**	**176.63**	**203.75**	**211.22**	**-**
Additions (2)	38.90	9.26	49.31	26.58	2.87	**126.92**
Deletions (3)	(0.12)	(1.70)	(2.22)	-	(5.25)	**(9.29)**
Depreciation (4)	(10.89)	(11.93)	(19.97)	(19.11)	(11.02)	**(72.92)**
Closing RAB = (1) +(2)-(3)-(4)	**181.00**	**176.63**	**203.75**	**211.22**	**197.82^**	**-**

 # The Opening RAB for FY 2016-17 has been obtained from the Tariff Order 37/2017-18 for the Second Control Period.

^ includes financing allowance of ₹ 1.41 Crores, which was included in all the 5 tariff years i.e. FY 2016-17 to FY 2020-21 (up to COD).

4.5.2 The Authority compared the year-wise additions to RAB by AAI to the Aeronautical capital expenditure approved by it in the Tariff Order for the Second Control period and the same is summarized in the following table:

Table 9: Comparison of year-wise additions to RAB by AAI with Aeronautical capital expenditure approved by the Authority in the Tariff Order for the Second Control Period

(₹ in Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Additions to RAB as per Tariff Order for the Second Control Period *(refer Table 34 of the Tariff Order No. 37/ 2017-18 dated February 16, 2018)* (A)	22.90	11.50	46.80	120.10	663.20	**864.50**
Actual additions to RAB (refer Table 8) (B)	38.90	9.26	49.31	26.58	2.87	**126.92**
Variance (A-B)	**(16.00)**	**2.24**	**(2.51)**	**93.52**	**660.33**	**737.58**

4.5.3 The Authority reviewed the actual capital additions to RAB during the Second Control Period, which is explained as follows:

Table 10: Capital additions submitted by AAI for the Pre-COD Period for CCSIA

(₹ in Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Taxiway	0.35	-	-	-	-	**0.35**
2	Aprons	-	-	-	-	-	**-**
3	Road, Bridges & Culverts	-	-	-	-	-	**-**
4	Building- Terminal	4.14	0.13	2.20	7.29	-	**13.75**
5	Building - Residential	0.21	-	-	-	-	**0.21**
6	Boundary Wall -Operational	0.75	3.21	1.00	0.85	-	**5.81**
7	Boundary Wall - Residential	0.62	-	-	-	-	**0.62**
8	Other Buildings-Unclassified	11.59	-	-	-	-	**11.59**
9	Computer & Peripherals	-	0.10	0.03	0.01	0.02	**0.16**
10	Plant & Machinery	2.49	-	-	-	-	**2.49**
11	Electrical Installations	15.64	5.54	34.80	17.57	2.86	**76.40**
12	Other Office Equipment	-	-	-	-	-	**-**
13	Office furniture	2.21	0.06	0.55	0.10		**2.91**
14	Tools & Equipment	0.30	-	0.01	0.00	-	**0.31**
15	Vehicle Others	0.60	0.22	10.72	0.76	-	**12.30**
		38.90	**9.26**	**49.31**	**26.58**	**2.87**	**126.92**

4.5.4 The Authority notes that the significant variances between CAPEX projected in the Tariff Order for the Second Control Period and the actual capital additions in the FY 2019-20 and FY 2020-21 were primarily due to the delay in the construction of New Integrated Terminal Building, Apron and Taxiway. The construction of New Integrated Terminal Building was initiated by AAI in the Second Control Period. However, the project was delayed due to onset of COVID-19 pandemic and the same has been handed over to the AO as on COD.

4.5.5 The Authority notes that there has been unapproved CAPEX incurred by AAI from the FY 2016-17 to FY 2018-19. Major items of such unapproved CAPEX have been given below:

Table 11: Unapproved CAPEX incurred by AAI for the pre-COD Period for CCSIA

(₹ in Crores)

Financial Year	Assets	Amount	Remarks
2016-17	Terminal Building	3.14	Minor renovation and modification of Terminal Building (T1), miscellaneous interior works, Canopy related works in T1 etc.

Financial Year	Assets	Amount	Remarks
2016-17	Electrical installations	11.04	It includes assets such as Roof-top solar grid, Passenger baggage trolleys, X-BIS (Hand and Registered Baggage) Threat Containment Vessel, Passenger Boarding Bridge, etc
2017-18	Electrical installations	12.40	
2018-19	Vehicles	10.72	Rubber Removal machine, BDDS cum Dog Squad Vehicles etc
TOTAL		37.30	

4.5.6 Upon analysis of the above capital expenditure, the Authority is of the view that most of these expenses were incurred by AAI for Passenger facilitation or Security purposes to improve the operational needs and mitigate threats. Also, some of the projects pertain to green energy initiatives, which is supported by AERA.

4.5.7 Further the Authority as part of its review noted the following with respect to the RAB submitted by AAI:

a. The RAB submitted by AAI as on November 1, 2020, is based on the extract of its audited trial balance.

b. The RAB as of November 1, 2020, submitted by AAI included Financing Allowance of ₹ 1.41 Crores. The Authority has given its views on Financing Allowance in para 7.3.13 of this Consultation Paper. In the background of the above facts, the Authority proposes that only IDC would be provided on the debt borrowings availed for execution of a project and hence it proposes not to consider Financing allowance claimed by AAI for determination of RAB.

c. Certain assets amounting to ₹ 0.26 crores related to ANS activities (such as ATC Tower) had been included in the RAB as per AAI's submission. Since AERA does not determine the regulatory tariff for ANS-related activities, the ANS related assets have been excluded from the RAB (as also explained in para 3.5.4 of the *Asset Allocation report.* Further, assets related to Cargo activities included in the RAB has been excluded by the Authority, as the Cargo activities of AAI performed by its subsidiary, AAICLAS for which tariff is determined separately. The total value of such assets excluded from RAB amounts to ₹ 0.35 crores.

d. The Authority notes that the asset value for an asset (CCTV for Biometric) was incorrectly considered as Nil by AAI as against the asset value of ₹ 0.01 Crore. The Authority has included the same for the determination of RAB.

4.5.8 **Reclassification of assets transferred by AAI to the Airport Operator**

The Authority has commissioned an independent study on allocation of assets between Aeronautical and Non-aeronautical activities for the period FY 2016-17 till FY 2020-21 and used the recommendation of the study, while doing the truing up the RAB as on pre-COD (November 1, 2020) for AAI.

The Authority has considered the opening RAB submitted by AAI, Capital additions and corresponding depreciation based on the results of the Asset Allocation report (Refer Annexure 1 for the Summary of the report and Appendix 1 for the detailed report on *Study on allocation of assets between Aeronautical and Non-aeronautical assets for CCSIA, Lucknow)*.

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common. Based on the same, the Authority has reclassified some portion of assets submitted by AAI for true up of the Pre-COD Period, which has been detailed hereunder:

(i) Staff Quarters:

Details of Asset: Construction of assets in staff quarters

Allocation proposed by AAI: Aeronautical/ Common

Observation: The construction of certain assets in the staff quarters has been classified as Aeronautical assets by AAI. As these assets are used by both Aeronautical and ANS staff, these are reclassified as Common assets and have been reallocated using the Staff Quarters ratio (81.58:18.42). Further, certain assets had been classified as Common and allocated using different ratios. Such assets have also been reallocated using the Staff Quarters ratio.

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common increases RAB to the extent of ₹ 0.04 Crores.

Reference: Para 4.5.2.5 of the *Asset Allocation report.*

(ii) Boundary in Staff Quarters:

Details of asset: Construction of Compound wall in staff quarters

Allocation proposed by AAI: Aeronautical

Observation: The assets pertaining to construction of boundary wall in staff quarters have been considered as Aeronautical assets by AAI. However, as these assets are for the residential purposes of the staff, wherein both Aeronautical and ANS employees reside, the same is reclassified as Common asset and segregated in the Staff Quarters ratio (81.58:18.42).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces the RAB to the extent of ₹ 0.07 Crores.

Reference: Para 4.5.2.2 of the *Asset Allocation report*.

(iii) Terminal building:

Details of Asset: Construction of terminal building, canopy in front of terminal building and other assets related to Terminal Building

Allocation proposed by AAI: Aeronautical/ Common

Observation: The assets pertaining to construction of terminal building, canopy in front of terminal buildings and other works have been considered as Aeronautical assets or have been allocated using common asset ratio by AAI. However, as these assets are within / pertaining to the terminal building, wherein both Aeronautical and Non-aeronautical activities are carried out, the same is reclassified as Common asset and segregated in the Terminal Building ratio (92.5:7.5).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common/ Non-aeronautical reduces the RAB to the extent of ₹ 0.37 Crores.

Reference: Para 4.5.2.3 of the *Asset Allocation report.*

(iv) Integrated Office Complex:

Details of Asset: Construction of integrated office complex

Allocation proposed by AAI: Aeronautical

Observation: The construction of the integrated office complex has been classified as Aeronautical assets by AAI. As these assets are used by both Aeronautical and Non-aeronautical staff, these are reclassified as Common assets and have been reallocated using the Employee Head Count ratio between Aeronautical and Non-Aeronautical (96.28:3.72).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces RAB to the extent of ₹ 0.33 Crores.

Reference: Para 4.5.2.4 of the *Asset Allocation report.*

(v) Plumbing and Electrical works for Airport:

Details of Asset: Assets related to rain water harvesting, water supply and building for generator room

Allocation proposed by AAI: Aeronautical

Observation: The construction of assets related to rain water harvesting, water supply and construction of generator room have been classified as Aeronautical assets by AAI. As these assets are used for both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Terminal Building ratio (92.5:7.5).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces the RAB to the extent of ₹ 0.12 Crores.

Reference: Para 4.5.2.6 of the *Asset Allocation report.*

(vi) Furniture:

Details of Asset: Furniture at terminal building and administrative offices.

Allocation proposed by AAI: Aeronautical

Observation: The furniture at the terminal building and at administrative offices have been classified as Aeronautical assets by AAI. As these assets are used for both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Terminal Building ratio (92.5:7.5) and the Employee Head Count ratio (96.28:3.72) depending on the nature of such assets.

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces the RAB to the extent of ₹ 0.05 Crores.

Reference: Para 4.5.2.7 of the *Asset Allocation report*.

(vii) Terminal Building equipment:

Details of Asset: Installation of Biometric Access Control System and other equipment at the terminal building

Allocation proposed by AAI: Aeronautical

Observation: The assets pertaining to the installation of Biometric Controls System across the airport and other equipment in the terminal building have been considered as Aeronautical assets by AAI. However, since these assets cater to the need of both Aeronautical and Non-aeronautical activities within the terminal building, these assets are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces RAB to the extent of ₹ 0.21 Crores.

Reference: Para 4.5.2.8 of the *Asset Allocation report*.

(viii) Equipment for utilities:

Details of Asset: Assets related to sub-station, including earthing and wiring, generators, rain water harvesting and water supply.

Allocation proposed by AAI: Aeronautical

Observation: The Assets related to sub-station, including earthing and wiring, generators, rain water harvesting and water supply have been classified as Aeronautical assets by AAI. As these assets are used for both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Terminal Building ratio (92.5:7.5).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces the RAB to the extent of ₹ 0.31 Crores.

Reference: Para 4.5.2.9 of the *Asset Allocation report*.

(ix) CCTV:

Details of Asset: CCTV cameras and storage system.

Allocation proposed by AAI: Aeronautical

Observation: The assets pertaining to the installation of CCTV cameras across the airport and expansion of its storage medium have been considered as Aeronautical assets by AAI. In the absence of specific identification as to the location of the assets, it is prudent to consider such assets as Common assets and has segregated these in the ratio of the Terminal Building (92.5:7.5).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to non-Aeronautical reduces RAB to the extent of ₹ 0.06 Crores.

Reference: Para 4.5.2.10 of the *Asset Allocation report*.

(x) Air Conditioning:

Details of Asset: Air Conditioning at terminal building and other areas.

Allocation proposed by AAI: Aeronautical

Observation: Installation and replacement of air conditioners and related assets at various locations in the airport have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces RAB to the extent of ₹ 0.35 Crores.

Reference: Para 4.5.2.11 of the *Asset Allocation report*.

(xi) Other equipment:

Details of Asset: Other equipment including electrical installations, communication equipment etc.

Allocation proposed by AAI: Aeronautical

Observation: Certain miscellaneous equipment (such as electrical installation, communication equipment etc.) have generally been classified as Aeronautical assets by AAI. However, since these assets are for the common use, they have been reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5) or in the ratio of the Employee Head Count (96.28:3.72) or in the Staff Quarters ratio (81.58:18.42) depending on the nature of such individual equipment.

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces RAB to the extent of ₹ 0.05 Crores.

Reference: Para 4.5.2.12 of the *Asset Allocation report*.

(xii) Commercial assets:

Details of Asset: Assets related to commercial activities.

Allocation proposed by AAI: Aeronautical

Observation: Assets related to commercial activities have been classified as Aeronautical assets by AAI. As this is used only for Non-aeronautical activities, these are reclassified as non-aeronautical assets.

Allocation proposed by the Authority: Non-Aeronautical

Impact: Reclassifying these assets from Aeronautical to Non-aeronautical reduces RAB to the extent of ₹ 0.05 Crores.

Reference: Para 4.5.2.13 of the *Asset Allocation report*.

(xiii) Other assets:

Details of Asset: Other miscellaneous assets of car shed, buildings and office appliances.

Allocation proposed by AAI: Aeronautical

Observation: Certain miscellaneous assets (such as car shed, computers etc.) have been classified as Aeronautical assets by AAI. However, since these assets are for the common use, they have been reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5) or in the ratio of the Employee Head Count (96.28:3.72) depending on the nature of such individual assets.

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB as follows:

(i) Other buildings : ₹ 0.018
(ii) Office appliances : ₹ 0.002

Total : ₹ 0.020

Reference: Para 4.5.2.14 of the *Asset Allocation report*

4.5.9 Subsequent to the above reclassifications, the adjusted RAB has been derived by the Authority as under:

Table 12: Adjusted RAB derived by the Authority post reclassifications

(₹ Crores)

Particulars		**Ref.**	**Amount**
RAB as on November 1, 2020, as submitted by AAI	**A**	Table 5	**197.82**
Financing allowance	B	4.5.7 (b)	(1.41)
ANS and Cargo assets excluded from RAB	C	4.5.7 (c)	(0.35)
Asset incorrectly considered as Nil	D	4.5.7.(d)	0.01
Reclassification adjustments:			
Staff Quarters	E	4.5.8 (i)	0.04
Boundary	F	4.5.8 (ii)	(0.07)
Terminal building	G	4.5.8 (iii)	(0.37)
Integrated Office Complex	H	4.5.8 (iv)	(0.33)
Plumbing and electrical work for airport	I	4.5.8 (v)	(0.12)
Furniture	J	4.5.8 (vi)	(0.05)
Terminal Building equipment	K	4.5.8 (vii)	(0.21)
Equipment for utilities	L	4.5.8 (viii)	(0.31)
CCTV	M	4.5.8 (ix)	(0.06)
Air Conditioner	N	4.5.8 (x)	(0.35)
Other equipment	O	4.5.8 (xi)	(0.05)
Commercial assets	P	4.5.8 (xii)	(0.05)
Other Assets (including impact of round-off)	Q	4.5.8 (xiii)	(0.02)
Total reclassification Sum (F:Q)	R		**(1.99)**
Adjusted RAB post reclassifications as on November 1, 2020 (A+ B+C+D+E+R)			**194.12**

4.5.10 **Revision of Terminal Building ratio:**

- The Common assets based on the Independent Study report have been allocated to Aeronautical and Non-aeronautical assets based on the Terminal Building ratio of 7.5% (Non-aeronautical areas as a percentage of total terminal building area), which was approved by the Authority in the

Tariff Order for the Second Control Period for CCSIA.

- Further, the Authority notes that since there has been no major addition to the Terminal Building in the Second Control Period, its impact on the Terminal Building ratio (92.5%: 7.5% considered in the Tariff Order for the Second Control Period) is NIL.

4.5.11 **Adjusted RAB (year-wise) of AAI derived by the Authority**

The Authority has derived year-wise adjusted RAB for the pre-COD period as shown in the table below:

Table 13: Opening, Closing RAB and year-wise impact of re-classifications and other adjustments to RAB

(₹ Crores)

Particulars	**Ref.**	**Up to March 31, 2016**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21***	**Total**
Opening RAB **(A)**		153.11#	151.73	177.42	173.72	200.20	207.46	**NA**
Additions as submitted by AAI **(B)**	Table 8		38.90	9.26	49.31	26.58	2.87	**126.92**
Financing allowance and assets of ANS and Cargo activities excluded from RAB **(C)**	Table 12		(0.25)	(0.13)	(1.03)	(0.41)	0.07	**1.75**
Deletions as submitted by AAI **(D)**	Table 8	-	(0.12)	(1.70)	(2.22)	-	(5.25)	**(9.29)**
Depreciation on assets submitted by AAI **(E)**	Table 8	-	(10.89)	(11.93)	(19.97)	(19.11)	(11.02)	**(72.92)**
Sub-total (F) = A+B-C-D-E		**153.11**	**179.37**	**172.92**	**199.81**	**207.26**	**194.13**	
Reclassification adjustments								
Reclassification impact (other than depreciation) **(G)**		(1.38)	(1.77)	1.06	0.84	0.61	0.17	**(0.47)**
Depreciation impact on reclassification **(H)**	Table 16	-	(0.18)	(0.26)	(0.45)	(0.41)	(0.18)	**(1.48)**
Total reclassification impact (I = G + H)	Table 12	**(1.38)**	**(1.95)**	**0.80**	**0.39**	**0.20**	**(0.01)**	**(1.95)**
Closing RAB (F+I)		**151.73**	**177.42**	**173.72**	**200.20**	**207.46**	**194.12**	

* up to November 1, 2020

\# the RAB as on March 31, 2016 is as per Table 38 of the Tariff Order 37/2017-18 for the Second Control Period

4.5.12 **Deemed Initial RAB**

4.5.12.1 The extract of the Concession Agreement with respect to determination of "Deemed Initial RAB" has been provided hereunder:

Clause 28.11.3 states that:

a) *"It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment **("Deemed Initial RAB").***

b) *The estimated depreciated value of investments made by the Authority in the Aeronautical assets at the Airport as on March 31, 2018, is Rs. 143,00,00,000 (Rupees One Hundred and Forty Three Crore) **("Estimated Deemed Initial RAB").** It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD".*

Clause 28.11.4 states that:

"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a). any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB'"):

(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or

(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."

Clause 28.11.5 states that:

"Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.

(a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.

(b) The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc."

Taking cognizance of the above clauses in the Concession Agreement and based on the outcome of the independent study conducted by the Independent Consultant appointed by AERA on allocation of assets for CCSIA, Lucknow, the Authority has determined the Deemed Initial RAB as on COD, which is as follows:

Table 14: Determination of Deemed Initial RAB by the Authority

(₹ Crores)

Particulars	Ref.	RAB
Total assets of AAI as on November 1, 2020 (Net block) as per True up submission	Table 12	197.82
Adjustments (Financing Allowance and ANS assets excluded from RAB and inclusion of an asset item)		(1.75)
Reclassification of assets	Table 13	(1.95)
Total assets of AAI as on November 1, 2020 (Net block), after reclassification and other adjustments		194.12
Less: assets retained by AAI	Exhibit 3 and Table 14 of *Asset Allocation report*	(10.54)
Add: Buildings for navigational aids/ radar installations (reclassified) #	Annexure 4	4.30
Net assets transferred by AAI to the Airport Operator as on November 2, 2020*		**187.88**

* *Reference: Table 14 of the Study on Allocation of assets between Aeronautical and Non-aeronautical assets for CCSIA, Lucknow*

Part 1 to Schedule 1 of Schedule Q (CNS/ ATM Agreement) of the Concession Agreement states about Concessionaire Equipment which includes "Buildings for navigational aids/ radar installations" (serial no. 21 to Part 1 of Schedule Q). The Authority notes that the building/ civil structure of the Airport Operator used for ANS activities should be treated as part of RAB of the Airport Operator, in line with the approach followed by the Authority for other PPP airports. The Authority has derived the net value of the building/ civil structure used for ANS activities as on COD as ₹ 4.30 crores. Refer Annexure 4 for details

4.5.12.2 The Authority has derived the Opening, Closing and Average RAB of AAI for the period from FY 2016-17 to November 1, 2020, after giving effect to the above adjustments and the same is as follows:

Table 15: Adjusted RAB of AAI considered by the Authority for True up of Pre-COD Period

(₹ Crores)

Particulars	Ref.	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (till COD)	Total (till COD)
Opening RAB (A)	Table 13	151.73	177.42	173.72	200.20	207.46	
Capital Additions		36.51	9.07	48.17	25.82	2.66	122.23*
Disposal		(0.12)	(1.12)	(2.22)	-	(5.25)	(8.71)
Depreciation		(10.70)	(11.65)	(19.47)	(18.56)	(10.75)	(71.13)
Closing RAB (B)		177.42	173.72	200.20	207.46	194.12	
Average Regulatory Asset Base (RAB) (C) = (A+B)/2		**164.58**	**175.57**	**186.96**	**203.83**	**200.79**	

** As per the submission of AAI, the aeronautical capital additions were ₹ 126.92 Cr. However, as per the adjustments detailed in the Study on Allocation of Assets (summary of the study is given in Annexure 1), it is recomputed as ₹ 122.23 cores.*

4.5.12.3 The Authority has therefore considered the Average RAB for true up of the pre-COD period as per Table 15.

4.6 True up of Depreciation

4.6.1 The Authority notes that while submitting the True up for the Pre-COD period for the CCSIA, Lucknow, AAI has taken cognizance of the rates of depreciation as per Order No. 35/ 2017-18 dated January 12, 2018 read with Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by AERA have been applied by AAI for CCSIA, Lucknow from FY 2018-19 onwards. For the FY 2016-17 and FY 2017-18, AAI has computed depreciation as per its Accounting Policy. The Authority considers the same to be reasonable, as per the Order No. 35.

4.6.2 For the additions to RAB, AAI has calculated the depreciation during year of capitalization based on number of days that the asset was put to use. The Authority proposes to consider the same.

4.6.3 The Authority has computed depreciation for the Pre-COD period, after making necessary adjustments to the assets excluded from RAB and the same is presented as follows:

Table 16: Depreciation considered by the Authority for true up of pre-COD Period

(₹ Crores)

Particulars	Ref.	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 till Nov 1, 2020	Total
Depreciation approved by the Authority in the Second Control Period		10.80	11.70	13.40	16.90	39.90	**92.70**
Depreciation as submitted by AAI (A)	Table 5	10.89	11.93	19.97	19.11	11.02	**72.92**
Depreciation impact on financing allowance and assets related to ANS activities excluded from RAB (B)		(0.01)	(0.02)	(0.05)	(0.14)	(0.09)	**(0.31)**
Depreciation impact on reclassification of assets (C)		(0.18)	(0.26)	(0.45)	(0.41)	(0.18)	**(1.48)**
Depreciation considered by the Authority after reclassification and other adjustments = Sum (A: C)		10.70	11.65	19.47	18.56	10.75	**71.13**

4.6.4 The Authority proposes to consider depreciation as per Table 16 for true up of the pre-COD period.

4.7 True up of Fair Rate of Return (FRoR)

4.7.1 The Authority notes that AAI had not availed any debt during the Pre-COD period. At the time of determination of tariff for the Second Control Period, the Authority had decided to consider FRoR for CCSIA as 14%. In line with its decision, the Authority proposes to consider the FRoR at 14% for true up of the Pre-COD period.

4.7.2 However, it is to be noted that AAI has operated the Airport in FY 2020-21 only till November 1, 2020. Therefore, AAI is eligible to claim return on RAB only till the COD. Hence, for FY 2020-21, the Authority proposes to pro-rate the FRoR for 215 days during which AAI operated the Airport. The pro-rated FRoR for FY 2020-21(till COD) has been computed as follows:

$$FRoR_{COD} = FRoR * n / 365$$

Where FRoR is the fair rate of return for the entire FY 2020-21, $FRoR_{COD}$ is the pro-rated FRoR for the period till COD and *n* is the number of days in operation in FY 2020-21.

Based on the above approach the pro-rated FRoR for FY 2020-21 has been computed as follows:

Table 17: Pro-rated FRoR for FY 2020-21 proposed to be considered by the Authority for true up of pre-COD period

Particulars	Value (%)
FRoR for FY 2020-21 (A)	14%
Number of days of operations in FY 2021 (B)	215
Pro-rated FRoR for FY 2020-21 (till COD) (A*B/365)	8.25%

4.7.3 Based on the above analysis, the Authority proposes to consider FRoR as 14% for the FYs 2016-17 to 2019-20 and as 8.25% for FY 2020-21 (up to COD) for true up of the pre-COD period.

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

4.8.1 The component wise break up of Aeronautical Operation and Maintenance expenses submitted by AAI for the Pre-COD period is as follows:

Table 18: O&M expenses submitted by AAI for True up of Pre-COD Period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
Employee benefit expenses	23.59	30.40	39.37	33.42	20.43	**147.21**
Administrative and other expenses	57.91	65.87	60.71	74.82	37.74	**297.06**
Utilities (Operating) and other outsourcing expenses	9.80	11.32	11.24	14.73	7.52	**54.61**
Repairs & Maintenance	11.03	15.43	19.38	17.99	17.71	**81.54**
Other Outflows	(0.53)	0.76	1.98	1.93	1.17	**5.31**
Total	**101.80**	**123.78**	**132.68**	**142.89**	**84.57**	**585.74**

4.8.2 The Authority notes that AAI in its true up submission in February 2022 had submitted the total O&M expenses for the pre-COD period as ₹ 647.75 crores. However, in its revised true up submission dated June 28, 2022, AAI had submitted the total O&M expenses for the pre-COD period as ₹ 585.74 crores by re-grouping and revising certain expenses such as Payroll, Administrative and Operating expenses.

The Authority notes that in the Tariff Order of the Second Control Period vide Order No.37 / 2017-18 issued on February 16, 2018, it had approved the O&M expenses of ₹ 401.40 Crores for CCSIA, which is as follows:

Table 19: Aeronautical O&M expenses approved by the Authority in the Tariff Order for the Second Control Period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Employee benefit expenses	28.60	38.30	40.30	42.30	44.40	**193.90**
Administrative & Other expenses	16.90	17.70	21.40	22.70	24.10	**102.80**

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Repairs & Maintenance expenses	6.00	22.10	16.90	7.40	8.10	**60.50**
Utility (Operating) expenses	8.20	8.20	8.30	8.40	8.50	**41.60**
Other outflows	0.40	0.50	0.50	0.60	0.60	**2.60**
Total	**60.10**	**86.80**	**87.40**	**81.40**	**85.70**	**401.40**

4.8.3 On comparing the actual expenses incurred by AAI for the pre-COD period with the expenses approved in the Tariff Order for the Second Control Period, the Authority notes the following:

- **Employee benefit expenses**: The Authority notes that the actual Employee benefit expense incurred by AAI for the pre-COD period (₹ 147.21 crores**)** is lower than the amount approved in the Tariff Order (₹ 193.90 crores), for each FY of the Second Control Period. The Authority further notes from the Tariff Order of Second Control Period that an increase of 37.16% in Employee expenses was allowed during FY 2017-18 towards pay revision followed by Y-o-Y increase of 5% for the next three years i.e., FY 2018-19, FY 2019-20 and FY 2020-21. As against the approved projections, AAI had implemented pay revision for ‘Executives’ in FY 2017-18 and for ‘Non-Executives’ in the FY 2018-19 with payment of arrears. Based on the above factors, the Authority considers the employee expenses of CCSIA for the Second Control Period to be reasonable.
- **Administrative and other expenses**: The Administrative expenses of ₹ 297.06 Crores submitted by AAI for true up of pre-COD period are much higher than ₹ 102.80 Crores approved by the Authority in the Tariff Order for the Second Control Period and is mainly on account of the increase in the CHQ & RHQ expenses. The amount of CHQ & RHQ expenses as per Tariff Order of Second Control Period was ₹ 71.20 Crores, whereas the actual expenses allocated by AAI up to COD was ₹ 257.52 Crores. Based on the above factors, the Authority is of the view that the CHQ/ RHQ expenses need to be rationalized and the same is explained in para 4.8.6 of this Consultation Paper.
- **Repairs and Maintenance (R&M):** The Authority notes that the total Repairs & Maintenance expenses of ₹ 81.54 Crores (including amortisation of runway recarpeting expenses of ₹ 22.10 Crores) claimed by AAI for the pre-COD period, are higher than the amount ₹ 60.50 Crores approved in the tariff order for the Second Control Period. Further, the Authority notes that as per the tariff order of the Second Control Period, it had allowed additional amount of ₹ 16.00 Crores in FY 2017-18 and ₹ 10.20 Crores in FY 2018-19 towards R&M Civil cost due to proposed runway recarpeting expenditure submitted by AAI (refer Para 14.13 of the tariff order for the Second Control Period). As against this approved amount of ₹ 26.20 Crores, AAI has incurred ₹ 22.10 Crores which is being allowed to be amortized over a period of 5 years commencing from FY 2016-17 (i.e., ₹ 4.42 Crores in each FY). However, even after excluding such expense, the Repairs & Maintenance expenses are much higher than the amount approved in the tariff order for all the FYs. On further examination of the actual Repairs & Maintenance expenses, the Authority notes that the same are higher than 6% of Opening RAB (determined in line with the approach of the Authority in other similar airports) for all the FYs except for FY 2016-17 and hence the same needs to be rationalized, which is explained in para 4.8.6 of this Consultation Paper.

- **Utility expenses**: The Utility (Operating) expenses of ₹ 54.61 Crores claimed by AAI for true up of pre-COD period are much higher than the approved expenses of ₹ 41.60 Crores as per the Tariff Order for the Second Control Period. Further, the Authority notes that the above deviation is mainly on account of the increase in actual electricity expenses of ₹ 42.66 Crores incurred up to COD, as against the approved amount of ₹ 30.10 crores. However, it is pertinent to note that, the electricity charges are incurred as per the power tariff finalised by the Electricity department (i.e., third party utility vendor) and therefore, there is no scope for rationalisation. Considering the same, the Authority proposes to consider the actual expense towards Electricity expenses for true up of the pre-COD period.
- **Other outflows:** The Authority notes from the tariff order of the Second Control Period that it had approved an amount of ₹ 2.60 Crores mainly towards consumption of stores and spares and Collection charges on UDF under this head (refer Table 44 and Para 14.14 of the Tariff Order) whereas the actual expenses incurred by AAI for the pre-COD period was ₹ 5.31 Crores. On further examination of the actual expenses as per true up submission of AAI, it is noted that the major portion of the expenses have been incurred towards CSR of ₹ 4.57 Crores for the period up to COD apart from certain miscellaneous / sundry office expenses and prior period expenses. The Authority proposes to true up this expense subject to re-computation of the CSR expenses in accordance with the Statutory requirements under Companies Act, 2013. The same is explained in para 4.8.4 (e) of this Consultation Paper.

4.8.4 Reallocation of O&M expenses by the Authority

The Authority has commissioned an independent study through the Consultant appointed by AERA to determine efficient Aeronautical Operation and Maintenance costs for the period FY 2016-17 till FY 2020-21 (up to COD) and used the recommendations of the Study, while truing up the O&M expenses for the pre-COD period for AAI.

The Authority has drawn the inference from the Study that the common O&M expenses have been segregated by AAI between Aeronautical and Non-aeronautical expenses based on appropriate ratio. This ratio has been determined based on the underlying proportion of their expected utilisation for Aeronautical and Non-aeronautical services and activities at the Airport.

The Authority has analysed the submission made by AAI on allocation of Common expenses into Aeronautical and Non-aeronautical on a case-to-case basis and applied appropriate re-classification and re-allocation of the expenses, wherever it noted any discrepancies in the allocation of expenses by AAI *(refer Table 16 for basis for allocation of O&M expenses of AAI as per the O&M Study report)*. Accordingly, the following common expenses have been re-allocated by the Authority by using appropriate ratios such as Employee Head Count ratio, Terminal Building ratio, Gross Fixed Assets ratio and Electricity ratio *(Refer para 4.5.1 to para 4.5.4 of the O&M Study report regarding the ratios used by the Authority for allocation of common expenses.)*

a) Employee benefit expenses

b) Administrative and other expenses

c) Utility (Operating) expenses

d) Repairs and Maintenance expenses

e) Other Outflows – CSR Expenses

The re-allocation of each of the above expenses have been explained in the following paragraphs.

a) **Employee Benefit expenses**

Observation: The Authority noted that in the case of AAI, the costs directly pertaining to ANS and Cargo employees have been excluded from the O&M expenses, but the cost of common employees servicing ANS and Cargo have been are considered in the O&M expenses. Accordingly, the Authority has excluded the such common employees servicing ANS and Cargo and has re-worked the Employee Head Count ratio as shown in *para 4.5.3.2 and Table 19 of the O&M Study report*.

Impact: The impact of the reallocation of Employee Benefit expenses based on revised Employee Headcount ratio results in reduction of the aforementioned expenses by ₹ 9.67 Crores for the Pre-COD period.

Reference: Para 4.6.1 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

b) **Administrative and other expenses**

Observation: The Authority notes that the Administrative and other expenses submitted by AAI include certain expenses such as tender, rent and rates and taxes which directly relate to the airport premises and certain expenses such as insurance of vehicles, manpower hiring, printing & stationery, conveyance, employee training etc., are relatable to employees and upkeep expenses are relatable to Terminal Building. AAI has considered the Administrative and other expenses as Aeronautical expenses. However, the Authority proposes to re-allocate the components of the Administrative and other expenses related to the entire Airport in the Gross Fixed Assets ratio, the components related to employees in the revised Employee Head Count ratio and upkeep expenses relatable to Terminal Building in the Terminal Building ratio.

Impact: The impact of the reallocation results in reduction of Administrative and other expenses by ₹ 2.01 Crores for the Pre- COD period.

Reference: Para 4.6.2 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

c) **Utility (Operating) expenses**

Observation: The Authority notes that expenses such as Insurance of other vehicles, hiring charges, taxes and fees of other vehicles, inland travel and meeting and seminar expenses are relatable to all employees and certain expenses such as horticultural expenses, consumables & toiletries etc. are relatable to the terminal building and certain others such as ASF expenses and reimbursement to auditors, etc. are relatable to the airport premises. AAI has considered the above expenses as Aeronautical. The Authority proposes to reallocate such expenses in the ratio of Gross Fixed Assets / Terminal Building/ Employee Head Count ratio depending on the nature of each expense.

Impact: The impact of the reallocation results in reduction of Operating expenses by ₹ 9.11 Crores for the Pre- COD period.

Reference: Para 4.6.3 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

d) **Repairs and Maintenance expenses**

Observation: The Authority notes that certain repair expenses such as repairs for vehicles are relatable to employees, expenses such as electrical installation are relatable to the terminal building and certain other expenses which are relatable to the airport premises. AAI has considered such expenses as Aeronautical. The Authority proposes to reallocate such expenses in the ratio of Gross Fixed Assets / Terminal Building/ Employee Head Count ratio depending on the nature of each expense.

Impact: The impact of the reallocation results in reduction of Repairs and Maintenance expenses by ₹ 6.66 Crores for the period FY 2016-17 till COD.

Reference: Para 4.6.4 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

e) **Other Outflows – CSR Expenses**

Observation: The Authority notes that AAI has considered CSR expenses allocated to CCSIA as 100% Aeronautical. Accordingly, the Authority has proposed to recompute the allowable CSR expense in accordance with the statutory requirements under the Companies Act 2013, i.e., 2% of the average Regulatory Profits Before Tax (PBT) of the preceding 3 years.

Impact: The impact of the reallocation results in reduction of Aeronautical CSR expenses by ₹ 2.38 Crores for the period from FY 2016-17 to COD.

Reference: Para 4.6.5 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

The impact based on the above re-allocation of O&M expenses have been summarised in the following table:

Table 20: Impact of re-allocation of O&M expenses determined by the Authority for True up of Pre-COD Period

(₹ Crores)

O&M expenses	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to Nov 1, 2020)	Total
Employee benefit expenses	1.36	1.88	2.20	1.97	2.26	**9.67**
Administrative and other expenses	0.25	0.35	0.54	0.58	0.29	**2.01**
Utility (Operating) expenses	1.57	2.02	2.02	2.26	1.24	**9.11**
Repairs & Maintenance	0.42	1.33	2.14	1.25	1.52	**6.66**
Other Outflows (CSR expenses)	(0.53)	(0.00)	0.39	0.89	1.10	**1.85**
Total	**3.07**	**5.58**	**7.29**	**6.95**	**6.41**	**29.30**

4.8.5 Based on the above reclassification and change in allocation ratio, the Authority has proposed the following revised Aeronautical O&M expenses (prior to rationalisation) for the Pre-COD period:

Table 21: Revised Aeronautical O&M expenses of AAI for the Pre-COD period post reclassification and re-allocation

(₹ Crores)

O&M expenses*	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to Nov 1, 2020)	Total
Employee benefit expenses	22.23	28.52	37.17	31.45	18.17	**137.54**
Administrative and other expenses	57.66	65.52	60.17	74.24	37.46	**295.05**
Utilities (Operating) and other outsourcing expenses	8.23	9.30	9.22	12.47	6.28	**45.50**
Repairs & Maintenance	10.61	14.10	17.24	16.74	16.19	**74.88**
Other Outflows (CSR expenses)	0.00#	0.76	1.59	1.04	0.07	**3.46**
Total	**98.73**	**118.20**	**125.39**	**135.94**	**78.16**	**556.42**

** Reference Table 18 and Table 20 of this Consultation Paper*

 # It is observed that a negative amount of ₹ (0.53) Crores was shown in FY 2016-17, as part of true up submission by AAI, due to prior period adjustment entry made in the books in that year. However, the Authority proposes to consider the same as NIL for the FY 2016-17.

4.8.6 Rationalisation of Aeronautical O&M expenses

Based on the Internal and External benchmarking analysis performed for O&M expenses through the O&M Study report, the Authority proposes to rationalise the following expenses for the period FY 2017 to FY 2021 (up to November 1, 2020).

a. CHQ/ RHQ expense allocation (included under Administrative and other expenses)

b. Repairs and Maintenance expenses

a. CHQ/ RHQ expense allocation (included under Administrative and other expenses)

- The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to CCSIA, Lucknow 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, in the ratio of revenues earned by each Airport.
  - 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 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 submitted by AAI in November 2021and December 2021 and has proposed the following views on allocation of CHQ/ RHQ expenses:

i. Pay and Allowances of CHQ and RHQ:

- AAI has considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are Non-aeronautical in nature.

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

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

- Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports
- Officials of Directorate and Commercial

Balance 80% of pay and allowances of CHQ and RHQ can be allocated to Airports.

ii. Administration & General Expenses of CHQ and RHQ:

- AAI has incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority is of the view that this expense should be analysed and distributed to stations on a case-to-case basis. As the above details have not been provided by AAI, the same has not been allocated to the stations. Further, the Authority is of the view that considering the present scenario where the COVID-19 pandemic has significantly impacted the Aviation sector, it is imperative for the Airport Operators to rationalise their costs and plan the operations in an efficient manner.
- AAI has paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority is of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses have not been allocated to the airports.

Based on the above methodology, the Authority has derived the revised CHQ and RHQ expenses for the Pre-COD period, which is proposed to be allocated to CCSIA, Lucknow, as part of True up of the Pre-COD period.

Table 22: Adjusted CHQ/ RHQ – Admin and Gen expenses proposed by the Authority as part of True up of O&M expenses

(₹ Crores)

Particulars	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21 up to Nov 1, 2020**	**Total**
CHQ/ RHQ expenses approved in the Tariff Order of the Second Control Period	13.00	13.50	14.20	14.90	15.60	**71.20**
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) **(A)**	52.47	55.77	50.47	65.10	33.63	**257.44**
Revised allocation of CHQ/ RHQ expenses by the Authority **(B)**	42.88	43.89	40.09	54.15	17.06	**198.07**
Variance **(A-B)**	**9.59**	**11.88**	**10.38**	**10.95**	**16.57**	**59.37**

Reference: Para 7.2 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

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 CCSIA, Lucknow. The Authority feels that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is non-transparent and an inefficient method, as it brings large variation in such expenses Year on Year, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore, expects AAI to examine these issues in detail and devise an effective and efficient method for allocation of CHQ & RHQ expenses on priority.

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

b. Repairs and Maintenance expenses

i. The Authority noted that Repairs and Maintenance expenses submitted by AAI for True up of the Pre-COD (excluding the amortisation of runway recarpeting expenses), was higher than 6% of the Opening RAB as approved in AERA tariff orders of other airports, in all the FYs of the Second Control Period except for FY 2016-17.

ii. The Authority notes that Repairs and Maintenance expenses include amortization of runway recarpeting expenses of ₹ 4.42 Crores starting from FY 2016-17 for all the FYs of the Second Control Period totaling to ₹ 22.10 Crores, which the Authority proposes to allow for the Second Control Period and further it considers the allocation of amortisation of Runway recarpeting expenses as Aeronautical by AAI to be appropriate.

iii. The Authority has re-computed repairs and maintenance expenses, which it proposes to consider for true up of the Second Control Period and the same is explained as follows:

Table 23: Adjusted Repairs and Maintenance expense proposed by the Authority for True up of the Pre-COD period

(₹ Crores)

Particulars	Ref.	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21*	Total
Total Aeronautical Repairs & Maintenance expenses *including* Amortisation of runway recarpeting expenses (refer Table 21)	A	10.61	14.10	17.24	16.74	16.19	**74.88**
Amortisation of Runway recarpeting expenses	B	4.42	4.42	4.42	4.42	4.42	**22.10**
Net Aeronautical Repairs & Maintenance expenses *excluding* Amortisation of runway recarpeting expenses	C	6.19	9.68	12.82	12.32	11.77	**52.78**
Opening RAB (refer Table 15)	D	151.73	177.42	173.72	200.20	207.46	

Particulars	**Ref.**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21***	**Total**
Repairs & Maintenance expenses calculated at 6% on Opening RAB	E	9.10	10.65	10.42	12.01	7.26	**49.45**
Amount proposed to be allowed (C or E whichever is lower)	F	6.19	9.68	10.42	12.01	**7.26**	**45.56**
Amount proposed *not* to be allowed (C – F)	**G**	**0.00**	**0.00**	**2.40**	**0.31**	**4.51**	**7.22**
Total Aeronautical Repairs & Maintenance expenses – post rationalization (A – G)	**H**	**10.61**	**14.10**	**14.84**	**16.43**	**11.68**	**67.66**

** Repairs and Maintenance expenses for FY 2020-21 has been derived proportionately for the period up to COD.*

4.8.7 Based on the above analysis, the Authority proposes to consider the following Aeronautical O&M expenses for True up of the Pre-COD period.

Table 24: Aeronautical O&M expenses proposed to be considered by the Authority for True up of the Pre-COD period

(₹ Crores)

Particulars	**Ref.**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21 up to Nov 1, 2020**	**Total**
A. Reallocated O&M expenses, determined by the Authority							
Employee benefit expenses	Table 21	22.23	28.52	37.17	31.45	18.17	**137.54**
Administrative and other expenses		57.66	65.52	60.17	74.24	37.46	**295.05**
Utilities (Operating) and other outsourcing expenses		8.23	9.30	9.22	12.47	6.28	**45.50**
Repairs & Maintenance (including amortisation of runway recarpeting expenses amounting to ₹ 4.42 Crores in each FY)		10.61	14.10	17.24	16.74	16.19	**74.88**
Other Outflows (CSR expenses)		0.00	0.76	1.59	1.04	0.07	**3.46**
Total		**98.73**	**118.20**	**125.39**	**135.94**	**78.16**	**556.42**
B. Rationalisation of O&M expenses (not considered by the Authority)							
Employee benefit expenses		-	-	-	-	-	-
Administrative and other expenses	Table 22	9.59	11.88	10.38	10.95	16.57	**59.37**
Utilities (Operating) and other outsourcing expenses		-	-	-	-	-	**-**

Particulars	Ref.	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
Repairs & Maintenance expenses	Table 23	0.00	0.00	2.40	0.31	4.51	**7.22**
Other Outflows (CSR expenses)		-	-	-	-	-	-
Total		**9.59**	**11.88**	**12.78**	**11.26**	**21.08**	**66.59**
C. O&M expenses of AAI proposed to be considered by the Authority for true up of Pre-COD period (A-B)							
Employee benefit expenses		22.23	28.52	37.17	31.45	18.17	**137.54**
Administrative and other expenses		48.07	53.64	49.79	63.29	20.89	**235.68**
Utilities (Operating) and other outsourcing expenses		8.23	9.30	9.22	12.47	6.28	**45.50**
Repairs & Maintenance expenses		10.61	14.10	14.84	16.43	11.68	**67.66**
Other Outflows (CSR expenses)		0.00	0.76	1.59	1.04	0.07	**3.46**
Total		**89.14**	**106.32**	**112.61**	**124.68**	**57.09**	**489.83**

4.8.8 Based on its analysis, the Authority proposes to true up the O&M expenses for the pre-COD period as per Table 24.

4.9 True up of Return on Land

4.9.1 The Authority notes that AAI has claimed return on land for ₹ 9.62 crores as part of its true up submission for the Pre-COD Period. The Authority would like to draw reference to the following clauses prescribed in its Order No. 42/ 2018-19 dated March 5, 2019, regarding determination of FRoR on the Cost of Land:

- As per para 4.1.1 of the aforementioned order, the Authority decides that in case the land is provided to the airport free of cost, no return shall be given on the land.
- As per para 4.1.2, the Authority states that return on land shall be provided on the cost if (provided it is not free of cost) it is used for aeronautical purposes only.
- As per clause 4.1.8. of the aforementioned order, return on land may be allowed on a prospective basis only.

4.9.2 As return on land should be sought prospectively and not retrospectively (as per clause 4.1.8 of the aforementioned Order), the Authority is of the opinion that return on land will not be included in the true up calculation. Hence, the Authority proposes not to allow Return on Land claimed by AAI as part of True up of the Pre-COD period.

4.10 True up of Unamortised value of Land

4.10.1 The Authority notes that AAI has invested in the Land of CCSIA, Lucknow for ₹ 16.81 Crores during the period FY 2009-10 to FY 2012-13. This includes cost of acquisition of freehold land of 26.85 acres. AAI has claimed the balance cost of Land (which is ₹ 16.28 crores) after deducting EMIs towards principal cost of Land (computed as per the methodology prescribed under Order No.42/ 2018-19 dated March 5, 2019) for the Pre-COD period. The Authority notes that the Land has not been transferred by AAI to the Airport Operator. The Authority would like to highlight the following clauses in the Order No. 42/ 2018-19 (In the matter of determination of Fair Rate of Return (FRoR) to be provided on the Cost of Land incurred by various Airport Operators in India) dated March 5, 2019:

"4.1.4 In case land is purchased by the airport operating company either from private parties or from government, the compensation shall be in the form of equated annual instalments computed at actual cost of debt or SBI, base rate plus 2% whichever is lower over a period of thirty years.

4.1.8 This order of the Authority will take effect from the next control period."

4.10.2 From the perusal of the above Order, it is evident that the benefit of compensation is available to the Airport Operator (AAI)

(i) over a period of thirty years; and

(ii) from the Control Period subsequent to the date of the Order i.e. March 5, 2019.

Further, the Order envisages return on land over a period of thirty years and it does not contemplate providing cumulative return on land as proposed by AAI in its submission for true up of Pre-COD period. Hence, the Authority proposes not to consider the amortization of the balance cost of Land claimed by AAI (₹ 16.28 Crores), as part of its true up submission for the pre-COD period.

4.11 True up of Non-aeronautical revenue

4.11.1 AAI has submitted the actual Non-aeronautical revenue (NAR) for the Pre-COD period for CCSIA, Lucknow as follows:

Table 25: Non-aeronautical revenue submitted by AAI for the Pre-COD period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
Revenue from Trading Concessions						
Restaurant / Snack Bar and TR stall	5.70	5.40	17.16	21.31	1.76	**51.32**
Hoarding & Display	5.11	8.16	9.10	9.58	1.37	**33.31**
Other Trading Concessions	1.81	1.61	4.30	4.62	0.30	**12.64**
Rent and other revenues						
Rent & Space	0.67	3.67	2.91	9.99	2.75	**19.99**
Duty Free Shops	0.89	0.66	1.07	1.39	0.36	**4.38**
Miscellaneous	0.78	1.74	2.04	2.11	0.92	**7.59**
Car Rentals	0.31	0.51	0.21	0.19	0.05	**1.28**
Car Parking	3.23	3.74	5.20	3.19	0.26	**15.63**
Other Misc. Income	22.58	21.39	7.97	3.35	0.68	**55.97**
Total	**41.08**	**46.88**	**49.96**	**55.73**	**8.46**	**202.11**

4.11.2 The Authority compared the actual Non-aeronautical revenue submitted by AAI as per Table 25 with the projections given in the Tariff Order for the Second Control Period and the same is as follows:

Table 26: Actual NAR submitted by AAI for the Pre-COD period vis-à-vis the projections given in the Tariff Order for the Second Control Period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
NAR Projections as per Tariff Order for the Second Control Period (A)	39.00	42.50	46.30	50.40	54.90	**233.10**
Actual NAR as per AAI's submission (B)	41.08	46.88	49.96	55.73	8.46	**202.11**
Variance (A-B)	(2.08)	(4.38)	(3.66)	(5.33)	46.44	**30.99**

4.11.3 The Authority notes that the significant variance between the actual and projected NAR for FY 2020-21 is due to the fact that the actual revenue shown in the above table is only for the period up to COD and is also attributable to the adverse impact of the COVID-19 pandemic on the aviation sector. In this respect, the Authority recalls its decision no. 9c vide Tariff No. 37/ 2017-18 which states as follows: *"The Authority decides that Non-Aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues".* Accordingly, the Authority is of the view that the variance between the projected and actual NAR for FY 2020-21 is due to adverse impact of COVID-19 pandemic and proposes to consider truing up the actual NAR submitted by AAI for the pre-COD period.

4.11.4 The Authority reviewed the Non-aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2017 up to COD) and found the same to be in line with the Audited figures. The Authority proposes to consider the Non-aeronautical revenue as per Table 25 for true up of the pre-COD period.

4.12 True up of Aeronautical Revenue

4.12.1 AAI has submitted the actual Aeronautical revenue for the Pre-COD period for CCSIA, Lucknow as follows:

Table 27: Aeronautical revenue submitted by AAI for the Pre-COD period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
Landing charges						
Landing Domestic	37.82	42.65	39.24	42.15	10.18	**172.04**
Landing International	11.94	12.75	14.50	13.66	3.72	**56.57**
Parking charges						
Parking Domestic	0.20	0.32	0.65	1.20	2.44	4.81
Parking International	0.02	0.07	0.13	0.07	0.47	0.77
PSF and UDF charges						

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
UDF/PSF Domestic	63.02	74.22	38.02	35.99	5.50	216.76
UDF/PSF International	36.81	38.78	18.17	16.94	1.23	111.93
Other revenue						
Extension of Watch Hours	0.00	0.00	0.00	0.00	0.00	0.00
CUTE charges	2.51	2.22	4.93	4.83	0.65	15.14
Fuel Throughput Revenue	1.74	5.20	4.56	3.71	0.06	15.27
Cargo Revenue	1.58	0.00	0.00	0.00	0.00	1.58
Concession Fees from AAICLAS	0.00	0.70	0.61	0.91	0.64	2.86
Revenue from Ground Handling Agency	0.93	1.77	1.46	0.73	1.12	6.01
Land lease to Oil companies	4.11	1.61	4.02	3.84	0.50	14.08
Total	**160.66**	**180.29**	**126.30**	**124.04**	**26.51**	**617.80**

4.12.2 The Authority compared the actual Aeronautical revenue submitted by AAI as per Table 27 with the projections given in the Tariff Order for the Second Control Period and the same is as follows:

Table 28: Actual Aeronautical revenue submitted by AAI for the Pre-COD period vis-à-vis the projections given in the Tariff Order for the Second Control Period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Aeronautical revenue Projections as per Tariff Order for the Second Control Period (A)	161.80	174.50	114.00	133.70	156.90	**740.90**
Actual Aeronautical revenue (B)	160.66	180.29	126.30	124.04	26.51	**617.80**
Variance (A-B)	1.14	(5.79)	(12.30)	9.66	130.39	**123.10**

4.12.3 The Authority notes that there is a minor variance between Projected and Actual Aeronautical revenue in the FY 2019-20 and a significant variance in the FY 2020-21, which is attributable to lower passenger traffic and ATM due to the adverse impact of the COVID-19 pandemic on the Aviation sector. Further, the wide variance between the projected and actual Aeronautical revenue for FY 2020-21 is also due to the fact that the actual revenue for FY 2020-21 has been considered only for the 7-month period up to COD. The Authority also notes a minor variance between the projected and actual Aeronautical revenue in FY 2016-17. However, as the variance is insignificant, the Authority proposes to disregard the same. Further, the Authority recalls its decision no. 12e in the Tariff Order No. 37/ 2017-18, which states that "*The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.*" Accordingly, the Authority proposes to consider the Actual Aeronautical revenue for the pre-COD period.

4.12.4 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2017 up to COD) and found the same to be in line with the Audited figures. The

Authority proposes to consider the Aeronautical revenue as per Table 27 for true up of the Pre-COD period.

4.13 True up of Taxation

4.13.1 AAI has submitted taxation for the Pre-COD period as follows:

Table 29: Taxation submitted by AAI for the Pre-COD period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020
Revenue (A)					
Aeronautical Revenue	160.66	180.29	126.30	124.04	26.51
Return on Land	1.84	1.83	1.82	1.81	1.80
Total (A)	**162.50**	**182.12**	**128.12**	**125.84**	**28.31**
Shortfall/ under recovery proposed to be collected (Refer *Table 5*)					**344.13**
Expenses (B)					
O&M expenses (Refer *Table 5*)	(101.80)	(123.78)	(132.70)	(142.89)	(84.57)
Depreciation (as per Income Tax Act, 1961)	(33.53)	(35.46)	(40.44)	(44.89)	(40.07)
Total (B)	**(135.33)**	**(159.25)**	**(173.13)**	**(187.78)**	**(124.64)**
Profit /Loss (A-B)	**27.17**	**22.87**	**(45.01)**	**(61.93)**	**(96.34)**
Shortfall/ under recovery proposed to be collected (C)					**344.13**
Tax Rates (D)	34.61%	34.61%	34.94%	25.17%	25.17%
Tax (C*D)	**9.40**	**7.92**	**0.00**	**0.00**	**86.61**

4.13.2 The Authority notes that AAI has computed tax of ₹ 86.61 crores on the shortfall amount (difference between Target Revenue and Actual Aeronautical revenue) of ₹ 344.13 crores, which is present value of the shortfall of the Pre-COD period, that is proposed to be collected from the Airport Operator.

4.13.3 However, the Authority is of the view that AAI should set off its prior period losses incurred in the Pre-COD period against the Shortfall amount that is proposed to be collected from the Airport Operator.

4.13.4 The Authority has re-computed taxation amount based on its analysis of O&M expenses, RAB and the same is presented in the table below:

Table 30: Taxation proposed to be considered by the Authority for true up of the Pre-COD period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
Revenue (A)						
Aeronautical Revenue (refer Table 27)	**160.66**	**180.29**	**126.30**	**124.04**	**26.51**	**617.80**
Return on Land	0.00	0.00	0.00	0.00	0.00	0.00
Total (A)	**160.66**	**180.29**	**126.30**	**124.04**	**26.51**	**617.80**

Particulars	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21 up to Nov 1, 2020**	**Total**
Shortfall/ under recovery proposed to be collected as on COD **(B)** - (refer Table 31)					**101.63**	**101.63**
Expenses (C)						
O&M expenses (refer Table 24)	89.14	106.32	112.61	124.68	57.09	489.83
Depreciation (as per Income Tax Act, 1961)	33.53	35.46	40.44	44.89	40.07	**194.39**
Total (C)	**122.67**	**141.78**	**153.05**	**169.57**	**97.16**	**684.22**
Profit /Loss D= (A+B-C)	37.99	38.51	(26.75)	(45.53)	30.98	**35.49**
Carry forward of prior period loss (from FY 2018-19 to COD) = (E)					**(72.28)**	
Net loss after setting off prior period losses* (B-E)					**(41.30)**	
Tax Rates	34.61%	34.61%	34.94%	25.17%	25.17%	25.17%
Tax	**13.15**	**13.33**	**0.00**	**0.00**	**0.00**	**26.48**

* The set off of prior period loss has been computed only for the purpose of determining taxes. The net loss of ₹ 41.30 crores will not be considered for true up for the Pre-COD period.

4.13.5 The Authority proposes to consider tax as per Table 30 for True up of Pre-COD period. Also, the Authority has adjusted the losses incurred by AAI (₹ 72.28 crores as per Table 30) in the previous Financial Years against the Shortfall amount of ₹ 101.63 crores derived by the Authority (as per Table 31), which is proposed to be collected by AAI from the Airport Operator.

4.14 True up of Aggregate Revenue Requirement (ARR) for the Pre-COD period

4.14.1 Based on its analysis of the various building blocks, the Authority has determined the ARR and Shortfall (Under recovery) for True up of the Pre-COD period and same is presented in the table below:

Table 31: ARR proposed to be considered by the Authority for true up of the Pre-COD period

(₹ Crores)

Particulars	**Ref.**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21 up to Nov 1, 2020**	**Total**
Average RAB (refer Table 15)		164.58	175.57	186.96	203.83	200.79	
Fair Rate of Return (refer Table 17)		14%	14%	14%	14%	8.25%#	
Return on Average RAB	A	23.04	24.58	26.17	28.54	16.57	**118.90**
Depreciation (refer Table 16)	B	10.70	11.65	19.47	18.56	10.75	**71.13**
Operating Expenditure (refer Table 24)	C	89.14	106.32	112.61	124.68	57.09	**489.83**
Return on Land	D	0	0	0	0	0	**0**
Unamortised portion of Land - Balance of Land Value	E	0	0	0	0	0	**0**
Corporate Tax (refer Table 30)	F	13.15	13.33	0	0	0	**26.48**

Particulars	Ref.	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 up to Nov 1, 2020	Total
Carry forward of shortfall of First Control Period**	G	65.80					**65.80**
ARR (Sum A: G)	H	201.83	155.88	158.25	171.78	84.41	**772.15**
Non-aeronautical revenue (NAR) (refer Table 25)	I	41.08	46.88	49.96	55.73	8.46	**202.11**
Less: 30% of NAR	J	12.32	14.06	14.99	16.72	2.54	**60.63**
Net ARR (H-J)	K	189.51	141.82	143.27	155.06	81.87	**711.51**
Revenue from Aeronautical Services (refer Table 27)	L	160.66	180.29	126.30	124.04	26.51	**617.80**
(Over recovery) / Under recovery (K-L)	M	28.85	(38.47)	16.97	31.02	55.36	93.71
Discount factor (@ 14%) as on November 1, 2020	N	1.60	1.41	1.23	1.08	1	
PV of (Over recovery) / Under recovery as on November 1, 2020 (M*N)	O	46.16	(54.25)	20.87	33.50	55.36	**101.63**
Discount factor @ 14% as on March 31, 2021	P						1.0575
PV of (Over recovery) / Under recovery as on March 31, 2021 (O*P)	Q						**107.48**
Discount factor @ 12.21% as on March 31, 2022	R						1.1221
PV of (Over recovery) / Under recovery as on March 31, 2022 (Q*R)							**120.60**

*** Shortfall obtained from Tariff Order of the Second Control Period.*
#FRoR for FY 2020-21 has been computed as 8.25% for the period up to COD.

4.14.2 The ARR proposed by the Authority is ₹120.60 crores (refer Table 31), as against ₹ 344.13 crores submitted by AAI. The variance is on account of the following:

i. Re-classification of assets, due to which there is reduction in the Return on RAB and Depreciation derived by the Authority.

ii. Rationalisation of O&M expenses claimed by AAI, based on O&M Study report.

iii. Non-consideration of Return on Land and unamortized value of land.

iv. Reduction in Corporate taxes on account of setting off of prior period losses.

4.14.3 **Adjusted Deemed Initial RAB**

Clause 28.11.4 of the CA states the following with respect to Adjusted Deemed Initial RAB:

"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after

the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB'"):

(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or

(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."

The Authority has derived the Adjusted Deemed Initial RAB as on COD which is as follows:

Table 32: Determination of Adjusted Deemed Initial RAB as on COD by the Authority

(₹ Crores)

Particulars	**Ref.**	**Amount**
A. Deemed Initial RAB	Table *14*	187.88
B. Less: Estimated Deemed Initial RAB	Clause 28.11.3 (b) of CA	(143.00)
C. A-B		44.88
D. Add: PV of Under-recovery of AAI as on COD	Table 31	101.63
E. Adjusted Deemed Initial RAB as on COD = (C+D)		**146.51**

4.14.4 In accordance with the provisions of clause 28.11.4 of the CA, AERA has computed the Adjusted Deemed Initial RAB as on COD i.e. ₹ 146.51 crores (shown in Table 32) and derived the future value of such Adjusted Deemed Initial RAB by applying the compounding factor of FRoR and assuming a future expected date of payment by the Concessionaire (Airport Operator) to the Airports Authority of India as follows:

i. The Authority has assumed future expected date of payment of Adjusted Deemed Initial RAB as April 15, 2023, based on the assumption that the Tariff Order for CCSIA, Lucknow (wherein the Deemed Initial RAB is finally determined by the Regulator) is issued on or before March 31, 2023.

ii. The Authority has applied a compounding factor to determine future value of the Under-recovery as on COD by applying:

- FRoR @ 14% from COD up to March 31, 2021 and
- FRoR @ 12.21% from April 1, 2021 up to April 15, 2023 (based on the FRoR determined by AERA for the Third Control Period for CCSIA, Lucknow, as discussed under Chapter 8 of this Consultation Paper).

iii. The Adjusted Deemed Initial RAB computed as on COD, March 31, 2021, March 31, 2022 and April 15, 2023 has been presented in the table below:

Table 33: Determination of Adjusted Deemed Initial RAB as on COD, March 31, 2021, March 31, 2022 *and future expected date of payment*

(₹ Crores)

Particulars	As on COD	Mar 31, 2021*	Mar 31, 2022#	Mar 31, 2023#	Apr 15, 2023#
Adjusted Deemed Initial RAB	**146.51**	**154.94**	**173.86**	**195.09**	**196.00**

* *Compounding for the period from COD up to March 31, 2021 has been done using FRoR of 14% p.a. (on pro-rata basis as given in Table 38)*

\# *Compounding for period beyond March 31, 2021 has been done using FRoR of 12.21%, determined by AERA for CCSIA, Lucknow for the Third Control Period.*

4.14.5 It is likely that the actual date of payment is different from April 15, 2023 as presented in the above table. In that scenario, following formula may be used for determining the Adjusted Deemed Initial RAB on a particular payment date:

$$\boldsymbol{Adjusted\ Deemed\ Initial\ RAB = A \text{ x } (1 + r \text{ x } \frac{t}{366})}$$

where, A = Adjusted Deemed Initial RAB computed as on March 31, 2023

r = FRoR for Third Control Period, computed as 12.21% (refer Chapter 8).

t = Number of days elapsed between actual date of payment and March 31, 2023

The projection of Adjusted Deemed Initial RAB on a particular payment date is illustrated through the following example:

Assuming that the actual date of payment is May 7, 2023, then

A = ₹ 195.09 crores

r = 12.21% or 0.1221

t = 36 days (Number of days between March 31, 2023 and May 7, 2023)

The Adjusted Deemed Initial RAB based on the above example is:

₹ 195.09 x (1+0.1221*36/ 366) = ₹ 197.43 Crores.

4.14.6 The Authority has proposed the Adjusted Deemed Initial RAB as explained above and requests the Stakeholders to provide their comments on the same.

4.14.7 The Authority proposes to consider under-recovery of ₹ 120.60 crores (as per Table 31) for True up of AAI for the Pre-COD period and readjust the same in the ARR computation of CCSIA, Lucknow for the Third Control Period. The under-recovery has arisen mainly on account of reduction in traffic due to COVID-19 pandemic in FY 2020-21.

4.15 Authority's proposals regarding true up for the period from FY 2016-17 up to COD

Based on the material before it and its examination, the Authority proposes the following with respect to True up of the Pre-COD period for CCSIA, Lucknow:

4.15.1 To consider Deemed Initial RAB as on November 1, 2020, as ₹ 187.88 crores as per Table 14.

4.15.2 To consider true up of RAB for the pre-COD period as per Table 15.

4.15.3 To consider true up of depreciation for the pre-COD period as per Table 16.

4.15.4 To consider true up of FRoR for the pre-COD period as per para 4.7.3

4.15.5 To consider true up of Aeronautical O&M expenses for the pre-COD period as per Table 24.

4.15.6 To consider true up of Non-aeronautical revenue for the pre-COD period as per Table 25.

4.15.7 To consider true up of Aeronautical revenue for the pre-COD period as per Table 27.

4.15.8 To consider true up of Aeronautical Taxation for the pre-COD period as per Table 30.

4.15.9 To consider Under recovery of ₹ 120.60 crores for True up of AAI for the Pre-COD period as per Table 31 and readjust the same in the ARR for the Third Control Period.

4.15.10 To consider Adjusted Deemed Initial RAB as per Table 33 or based on formula provided in paragraph 4.14.5 as appropriate for actual date of payment.

5. TRUE UP OF AIRPORT OPERATOR FOR THE SECOND CONTROL PERIOD FROM COD TILL MARCH 31, 2021

5.1 Background

5.1.1 AAI had entered into a Concession Agreement dated February 14, 2020, with Lucknow International Airport Limited (LIAL, the 'Concessionaire') for the Operations, Management and Development of CCSIA, Lucknow for a period of 50 years from the COD, i.e., November 2, 2020.

5.1.2 Pursuant to the above Concession Agreement, the Airport Operator has submitted True up workings for the period from COD up to March 31, 2021.

5.1.3 The true up workings submitted by the Airport Operator covers the following building blocks:

i. Traffic

ii. Regulatory Asset Base

iii. Aeronautical Depreciation

iv. Fair Rate of Return

v. Aeronautical Operation and Maintenance Expenses

vi. Non-aeronautical Revenue

vii. Aeronautical Taxes

5.1.4 The Authority has examined the Airport Operator's true up submission in detail and has performed the following analysis:

i. Recorded Airport Operator's submissions for True up under different Regulatory building blocks.

ii. Provided the Authority's examination and proposals regarding the True up calculation of each regulatory block of the Airport Operator.

5.2 Airport Operator's submission of True up for the period from COD till March 31, 2021

5.2.1 The Airport Operator has submitted true up for the period from COD till March 31, 2021 as follows:

Table 34: True Up submitted by the Airport Operator from COD till March 31, 2021

(₹ Crores)

Particulars	Amount
Average RAB	193.00
FRoR on Average RAB (@ 14.76% for 149 days) (A)	11.63
Operating expenses (B)	43.90
Depreciation I	16.25
Tax (D)	0.00
Gross ARR (Sum A:D) = (E)	71.78
Non-aeronautical Revenue	18.12
Less: 30% of Non-aeronautical revenue (F)	(5.44)
Net ARR (E-F) = G	66.34
Actual Aero Revenues earned (H)	41.67
Shortfall/ under-recovery (G-H)	24.68
PV of Under-recovery	**26.10**

5.3 Authority's examination of True up submitted by Airport Operator for the period from COD till March 31, 2021

5.4 True up of RAB

5.4.1 The Authority proposes to consider the True up submission made by AAI up to November 1, 2020 as the basis for determining the value of assets as on COD for the Airport Operator.

5.4.2 Based on the adjusted RAB of AAI for the Pre-COD period, the Authority has derived the adjusted RAB of the Airport Operator as on COD as ₹ 187.88 crores. Refer Table 14.

The Authority notes that the Airport Operator has included following additional items in RAB amounting to ₹ 41.62 crores during the period COD till March 31, 2021:

Table 35: Additional items included in the RAB by the Airport Operator from COD till March 31, 2021

(₹ Crores)

Details	Amount
Building	0.20
Software	0.65
Computers	0.63
Furniture and Fixtures	0.45
Office Equipment	0.62
Intangible asset	39.07
Total	**41.62**

5.4.3 **Reclassification of assets of the Airport Operator**

The Authority has conducted an independent study on allocation of assets for the period FY 2016-17 till FY 2020-21 and used the outcome of the study to true up the RAB for the post COD period i.e.as on March 31, 2021 for the AO.

The Authority has considered the adjusted RAB of the Airport Operator as on COD (which is ₹ 187.88 crores), Capital additions and corresponding depreciation based on the results of the Asset Allocation report (refer Annexure 1 for the Summary of the report and Appendix 1 for the detailed report on *Study on allocation of assets between Aeronautical and Non-aeronautical assets for CCSIA, Lucknow)*.

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common assets. Based on the same, the Authority has reclassified some portion of assets submitted by the AO for true up of the period from COD till March 31, 2021 which has been detailed hereunder:

i. Computers and Software

Details of Asset: Desktops, Laptops and Software

Allocation proposed by Airport Operator: Common

Observation: The assets pertaining to Computers and Software have been classified as Common assets by the Airport Operator and have been allocated in the ratio of Terminal Building as had been determined by the Airport Operator (94.86:5.14). However, since these assets are for the use of employees of the Airport Operator, the same have been reallocated in the ratio of Employee Head Count of the Airport Operator (95:5).

Allocation proposed by the Authority: Employee Head Count Ratio

Impact: Reclassifying these assets from Aeronautical to Common increases the RAB to the extent of ₹ 0.002 Crores.

Reference: Para 4.9.1.1 of the *Asset Allocation report.*

ii. Furniture

Details of Asset: Furniture, Sofa, Tables, Queue Management System.

Allocation proposed by Airport Operator: Common

Observation: The assets such as furniture, table, racks, etc. have been classified as Common assets by the Airport Operator and have been allocated in the ratio of Terminal Building as had been determined by the Airport Operator (94.86:5.14). However, since these assets are for the use of employees of the Airport Operator, the same have been reallocated in the ratio of Employee Head Count of the Airport Operator (95:5). In addition, Queue Management System which was classified as common by the Airport Operator is now reclassified on the basis of Terminal Building ratio (92.5:7.5).

Allocation proposed by the Authority: Employee Head Count Ratio / Terminal Building.

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.001 Crores.

Reference: Para 4.9.1.2 of the *Asset Allocation report*

iii. Buildings

Details of Asset: Civil Structures and Horticulture work

Allocation proposed by Airport Operator: Common

Observation: The civil and horticulture work at Lucknow airport have been classified as Common and have been allocated in the Terminal Building ratio by the Airport Operator. The same have been reallocated in the ratio of Terminal Building which is in the ratio of 92.5:7.5.

Allocation proposed by the Authority: Terminal Building Ratio

Impact: The change in the Terminal Building ratio decreases the RAB to the extent of ₹ 0.005 Crores.

Reference: Para 4.9.1.3 of the *Asset Allocation report*

iv. Other Assets

Details of Asset: Scanners, Communication equipment and other office equipment

Allocation proposed by Airport Operator: Common

Observation: The assets such as phone, printers, display screens, sensors have been classified as Common assets by the Airport Operator and have been allocated in the ratio of Terminal Building as had been determined by the Airport Operator (94.86:5.14). However, since these assets are for both aero and non-aeronautic activities of the Airport Operator, the same have been reallocated in the ratio of Employee Head Count of the Airport Operator (95:5).

Allocation proposed by the Authority: Employee Head Count Ratio

Impact: Reclassifying these assets from Aeronautical to Common increases the RAB to the extent of ₹ 0.0009 Crores.

Reference: Para 4.9.1.4 of the *Asset Allocation report*

v. Intangible asset

Details of Asset: Salary cost and consulting fees incurred by Adani-group entities prior to COD on costs related to planning for takeover and management of CCSIA, Lucknow Limited.

Allocation proposed by Airport Operator: Common

a. The Authority notes that as per clause 15.1.2 of the Concession Agreement, the Concessionaire is mandated to achieve COD within 180 days from the date of the Concession Agreement. Further, the Authority takes cognizance of the fact that AAI deputed its staff and management personnel to the Airport during the transition period, including prior to the COD. Additionally, Adani Group also had to depute its own manpower from other group entities. Accordingly, the Authority proposes to consider salary expenses pertaining to such Adani Group entities for the period of six months prior to COD, i.e. from May 1, 2020 to November 1, 2020, for the purpose of tariff determination.

b. Further, on detailed examination of the costs (department-wise) of manpower deputed by the Adani Group for the above-mentioned period of 6 months, the Authority notes that the manpower deputed for certain functions such as Commercial and Legal ought to be excluded. Further, the Authority has rationalized the headcount submitted by the AO for certain other functions such as Cargo, Master Planning, IT, Operations, Security, Techno Commercial, etc. to derive the allowable Intangible asset, as shown in the table 36.

c. The proportion of such Adani group expenses allocable towards CCSIA has been determined in the proportion of Initial RAB and CWIP of CCSIA to the Total RAB and CWIP of all 3 airports (Mangaluru, Lucknow and Ahmedabad), as submitted by AAI at the time of the Letter of Award.

d. The Authority proposes that the bid expenses incurred prior to the date of Letter of Award of CCSIA and expenses incurred between the date of Concession Agreement and COD (other than that specifically considered above), as submitted by the Airport Operator would not be considered for tariff determination.

e. Further, the Authority notes that salary expenses (₹ 1.10 crores) were incurred by CCSIA during the observation period of 60 days (Sep 2020 and Oct 2020) as per clause 16.5 of the Concession Agreement, wherein the new Concessionaire's team had to work along with AAI's team to understand the Airport operations. The aforementioned costs have been considered in the tariff determination process.

f. Based on the above, the total costs pertaining to Salary expenses prior to COD, as allowable for the purpose of true up of CCSIA is determined as follows:

Table 36: Intangible asset proposed by the Authority for the Third Control Period

(₹ Crores)

Entity	Period	Total	% allowable	Amount decided towards Intangible asset
Adani Group	May 1-Nov 1, 2020	10.53	54.88%*	5.78
CCSIA	Sep 1-Oct 31, 2020	1.10	100%	1.10
Total				**6.88**

** Note: The allowable % (54.88%) has been derived based on the ratio of assets (Initial RAB + CWIP) of CCSIA, Lucknow on the total assets (Initial RAB + CWIP) of all three Airport SPVs (i.e. Ahmedabad, Lucknow and Mangaluru) as on COD.*

The Authority based on the above analysis and considering all the necessary clauses of the Concession Agreement, (including achievement of COD within 6 months from the date of CA), wherein a new Concessionaire has to perform, with involvement of Senior executives, certain pre-COD functions such as operational readiness, familiarization & training, Trial programs, Airport facility assessment, Capability building & human resource management, observation period, etc., proposes to allow ₹ 6.88 Crores of Intangible asset (as determined in the table above) as part of the O&M expenses

Allocation proposed by the Authority: Exclude Intangible asset from RAB and consider ₹ 6.88 crores as part of O&M expenses for true up of the period from COD till March 31, 2021.

Impact: Excluding Intangible asset from Common assets decreases the RAB to the extent of ₹ 39.07 Crores.

vi. Impact of differential Employee Head Count ratio as per the Study on Allocation of assets between Aeronautical and Non-aeronautical assets for CCSIA, Lucknow

As mentioned in para 4.9.2.1 of the *Asset Allocation report*, the Employee Head Count ratio used for reallocation of assets for AAI is 96.28:3.72 (Aeronautical: Non-aeronautical), while the ratio proposed for reallocation of assets for the Airport Operator is 95.10:4.90. The impact of this difference on the value of RAB transferred is Nil.

5.5 True up of Depreciation

5.5.1 For the purposes of True up submission, the Airport Operator had calculated depreciation for the period from COD up to March 31, 2021, based on their determination of remaining useful life.

5.5.2 The Authority has proposed to consider the same rates of depreciation as applied by AAI for the period up to COD, on the assets transferred by AAI to the Airport Operator for the period from COD to March 31, 2021. Further, the assets added by the Airport Operator have been depreciated based on the useful life prescribed under Order No. 35/ 2017-18 dated January 12, 2018, of AERA.

5.5.3 Depreciation has not been computed on the Intangible asset as the same is excluded from the RAB.

5.5.4 Accordingly, the depreciation on Aeronautical assets of ₹ 16.25 Crores as submitted by the Airport Operator has been revised by the Authority (post reclassification and other adjustments) to ₹ 7.16 Crores, thereby resulting in a reduction in depreciation of ₹ 9.09 Crores.

5.5.5 The Average RAB and Depreciation determined by the Authority for the period from COD till March 31, 2021, post reclassifications and other adjustments are as follows:

Table 37: Average RAB considered by the Authority for true up from COD till March 31, 2021

(₹ Crores)

Particulars		Reference to paragraph in Report	Amount
Adjusted RAB as on November 2, 2020 transferred to Lucknow International Airport Limited	**A**	Table 14	187.88

Particulars		**Reference to paragraph in Report**	**Amount**
Additions to RAB from COD to March 31, 2021, proposed by Airport Operator	B	Table 35	41.62
Sub-total (A + B)	C		**229.50**
Reclassifications on asset additions			
Computers and Software	D	5.4.3 (i)	0.002
Furniture	E	5.4.3 (ii)	(0.001)
Buildings	F	5.4.3 (iii)	(0.005)
Other Assets (including impact of round-off)	G	5.4.3 (iv)	0.0009
Exclusion of Intangible asset	H	5.4.3 (v)	(39.07)
Impact of differential employee head count ratio	I	5.4.3 (vi)	-
Total reclassifications Sum (D : I)	J		**(39.07)**
Total asset additions from COD till March 31, 2021 (B-J)			**2.55**
Adjusted RAB (C + J)	K		**190.42**
Depreciation for the period from COD to March 31, 2021	L		(7.16)
Adjusted RAB as on March 31, 2021, i.e., opening RAB for Third Control Period (K+L)	**M**		**183.26**
Average RAB = (A+M)/2	**N**		**185.57**

5.5.6 Based on its analysis, the Authority proposes to consider RAB and depreciation as per Table 37 for true up of the period from COD till March 31, 2021.

5.6 True up of FRoR

5.6.1 The AO has submitted FRoR as 14.9% for true up of the period from COD till March 31, 2021. However, the Authority proposes to consider FRoR @ 14% as against 14.9% considered by the Airport Operator, as there had been no borrowings availed by Airport Operator for the period from COD till March 31, 2021 and in line with the Authority's proposal for true up of AAI from FY 2017 to November 1, 2020 and also as approved for other similar airports. From the next Control Period for the AO, AERA will consider FRoR, in line with other PPP airports.

5.6.2 However, it is to be noted that AO has operated the Airport in FY 2020-21 only for the period from COD till March 31, 2021. Therefore, AO is eligible to claim return on RAB only for the period from COD till March 31, 2021. Hence, for FY 2020-21, the Authority proposes to pro-rate the FRoR for 150 days during which the AO operated the Airport. The pro-rated FRoR for FY 2020-21 has been computed as follows:

$$\text{FRoR}_{\text{post COD}} = \text{FRoR}^* \ n/\ 365$$

Where FRoR is the fair rate of return for the entire FY 2020-21, $\text{FRoR}_{\text{post COD}}$ is the pro-rated FRoR for the period from COD till March 31, 2021 and *n* is the number of days in operation in FY 2020-21.

Based on the above approach the pro-rated FRoR for FY 2020-21 has been computed as follows:

Table 38: Pro-rated FRoR for FY 2020-21 proposed to be considered by the Authority for true up from COD till March 31, 2021

Particulars	Value (%)
FRoR for FY 2020-21 (A)	14%
Number of days of operations in FY 2021 (B)	150
Pro-rated FRoR for FY 2020-21 (from COD till March 31, 2021) (A*B/365)	5.75%

5.6.3 The Authority proposes to consider FRoR for true up of the period from COD till March 31, 2021 as 5.75%, as shown in Table 38.

5.7 True up of Aeronautical O&M expenses

The component-wise break up of Aeronautical Operation and Maintenance expenses submitted by the Airport Operator for the period from COD till March 31, 2021 is as follow

Table 39: O&M expenses submitted by Airport Operator for the period from COD till March 31, 2021

(₹ Crores)

Particulars	Amount
Manpower expenses – AAI employees	10.32
Manpower expenses – Airport Operator’s employees	8.00
Utility expenses	3.41
IT expenses	0.57
Rates and Taxes	0.75
Security expenses	1.59
Corporate Cost Allocation	5.81
Administration and General expenses	3.64
Insurance expenses	0.4
Repairs & Maintenance expenses	5.3
Other operating expenses	4.12
Bank charges	0.65
Total	**44.55**

5.7.1 Reallocation of O&M expenses

The Authority has conducted an independent study to determine efficient Aeronautical Operation and Maintenance costs for the period FY 2016-17 to FY 2020-21 and used the outcome of the study to true up the O&M expenses for the period from COD till March 31, 2021 for the AO.

The common O&M expenses have been segregated by Airport operator between Aeronautical and Non-aeronautical expenses based on a ratio, determined on the underlying proportion of their expected utilisation for Aeronautical and Non-aeronautical services and activities at the Airport as per AO.

The Authority has analysed the submission made by the Airport Operator on allocation of Common expenses into Aeronautical and Non-aeronautical on a case-to-case basis and applied appropriate re-classification and re-allocation of the expenses, wherever it noted any discrepancies in the allocation of expenses by the Airport Operator *(refer Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow)*. Accordingly, the following common expenses have been re-allocated by the Authority by using appropriate ratios such as Terminal Building ratio, Gross Fixed Assets ratio, Employee Head Count ratio and Electricity ratio *(Refer para 5.3.1 to para 5.3.4 of the Study report on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow regarding the ratios used by the Authority for allocation of common expenses.)*

i. Manpower expenses
ii. Utilities
iii. Corporate Allocation costs
iv. Administrative expenses
v. Repairs and Maintenance expenses
vi. Other Operating expenses
vii. Other expenses such as Rates & Taxes, IT, Security, Insurance, Bank charges etc.

i. **Manpower expenses**

Manpower expenses - AAI

Observation: The Authority noted that the AO has considered the expenses incurred towards the Select employees as 100% Aeronautical, in line with the Clause 6.5 of the Concession Agreement between AAI and AO The Authority notes that the Airport Operator has considered the Manpower expenses as 100% Aeronautical. However, the Authority on examination of the relevant clauses of the Concession Agreement has considered the employee expenses of AAI employees up to 'Deemed Deputation Period' as Common, since the employee expenses of AAI pertains to both Aeronautical and Non-aeronautical activities. Accordingly, the Authority proposes to re-allocate the employee expenses of AAI in the ratio of Employee Head Count of AAI employees (99:1), thereby resulting in a downward adjustment of ₹ 0.10 Crores.

Impact: The impact of the re-allocation results in reduction of Manpower expenses by ₹ 0.10 Crores for the period from COD till March 31, 2021.

Reference: Para 5.4.1.3 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

Manpower expenses – Airport Operator

Observation: The Authority notes that the employee headcount of the AO has been determined in the O&M study report as 40 employees, as against 56 submitted by the AO (refer Table 33 of the *Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow).*The Authority further notes that Security deputed for functions such as Kerb Side Management, Traffic Management, Security System Maintenance etc. had been considered as Non-aeronautical in the O&M Study report. Therefore, the Authority has revisited the employee headcount of the AO determined by the Study and derived the same as 43 employees. Accordingly, the Authority proposes to proportionately revise the total manpower costs of the AO as ₹ 6.30 Crores as against ₹ 8.24 crores (for 56 employees) submitted by AO. Further, the Authority notes that the Airport Operator has apportioned its Manpower expenses in the Employee Head Count ratio of 97:3, which the Authority proposes to re-allocate in the revised Employee Head Count ratio of 84:16 derived by the Authority (refer para 5.3.3.11 and Table 34 of the O&M study report), thus resulting in a downward adjustment of ₹ 2.45 Crores .

Impact: The impact of the re-allocation results in reduction of Manpower expenses by ₹ 2.45

Crores for the period from COD till March 31, 2021.

Reference: Para 5.4.1.5 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

ii. **Utilities**

Observation: The Utility expenses have been considered by the Airport Operator as Aeronautical since the expenses are net-off recoveries from Concessionaires. The Authority proposes to consider 1% of the net Utility expenses as costs towards other common areas.

Impact: The impact of the reallocation results in reduction of Utility expenses by ₹ 0.03 Crores for the period from COD till March 31, 2021.

Reference: Para 5.4.2 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

iii. **Corporate Allocation Cost**

Observation: The Corporate costs have been allocated by the Airport Operator in the Initial RAB ratio of 96.67:3.33. However, the Authority notes that major component of these costs consists of Salaries and hence the Authority proposes re-allocate the same in the ratio of Employee Headcount of 97:3 determined by the Authority (refer Table 34 of the O&M study report).

Impact: The impact of the reallocation results in increase of Corporate Allocation costs by ₹ 0.02 Crores for the period from COD till March 31, 2021.

Reference: Para 5.4.3.6 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow

iv. **Administrative expenses**

Observation: The Authority observes that Administrative expenses include certain expenses such as Processing fees for procuring licences, membership etc., that are relatable to the entire airport premises, Facility management, Safety consumables etc., that are relatable to the Terminal Building and certain others such as Employee travel & conveyance, etc., are relatable to the employees. The Authority thus proposes to reallocate the same on the basis of Gross Fixed Asset ratio (98.15:1.85) / revised Total Employee Head Count Ratio (95.48:4.52) / revised Terminal Building ratio (92.5:7.5) depending upon the nature of expenses and also consider AOCC services as Aeronautical, in line with the ratio allocation followed for AAI up to COD.

Impact: The impact of the reallocation results in increase in Administrative expenses by ₹ 0.01 Crores for the period from COD till March 31, 2021.

Reference: Para 5.4.4.3 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow

v. **Repairs & Maintenance expenses**

Observation: The Authority observes that the AO has allocated the Repairs and Maintenance expenses to Aeronautical activities in the Terminal Building ratio of 94.86:5.14 submitted by the AO. However, the Authority proposes to re-allocate the same in the Terminal Building ratio of 92.5:7.5, determined by it in the *Asset Allocation report*. However, the Authority proposes to consider certain maintenance expenses such as Constant Current Regulators, Airfield lighting system & Power supply system, Painting of runway and Apron marking, Security machines i.e., XBIS / ETD, Baggage Conveyors, etc. as Aeronautical.

Impact: The impact of the reallocation results in increase of Repairs and Maintenance expenses by ₹ 0.05 Crores for the period from COD till March 31, 2021.

Reference: Para 5.4.5.3 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

vi. **Other Operating expenses**

Observation: The Authority notes that the other Operating expenses include expenses incurred towards Mechanised Environmental Support Services (MESS) for upkeep and maintenance of Terminal Building, Environment Support Services (ESS) of ancillary buildings and paved area, support security services for passenger & vehicular management, outsourced manpower for Cargo operations, pest control, etc. and the same has been allocated to Aeronautical activities in the Terminal Building ratio of 94.86:5.14 by the Airport Operator. However, the Authority proposes to re-allocate the same in the Terminal Building ratio of 92.5:7.5, determined by it in the *Asset Allocation report.*

Impact: The impact of the reallocation results in reduction of other operating expenses by ₹ 0.04 Crores for the period from COD till March 31, 2021.

Reference: Para 5.4.6.2 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

vii. **Other expenses such as Rates & Taxes, IT, Security, Insurance, Bank charges etc.,**

Observation: The Authority notes that some of these expenses like Rates and Taxes are allocated by the AO in the ratio of Terminal Building and certain others such as IT, Security, Insurance etc., in the ratio of Initial RAB. The Authority proposes to re-allocate these expenses in the revised Terminal Building ratio of 92.5:7.5 or in the ratio of total Employee Headcount or Gross Fixed Assets ratio as appropriate, depending upon the nature of the expense.

Impact: The impact of the reallocation results in increase of Rates and Taxes by ₹ 0.02 Crores, increase in Security expenses by ₹ 0.02 Crores, increase in Insurance expenses by ₹ 0.01 Crore, reduction in IT expenses by ₹ 0.03 crores and reduction in Bank charges by ₹ 0.02 Crore for the period from COD till March 31, 2021.

Reference: Para 5.4.7.5 of the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow.

5.7.2 The impact on the Aeronautical O&M expenses of the Airport Operator on account of the proposed reallocation of expenses is as follows:

Table 40: Impact of proposed reallocation of Airport Operator's Aeronautical O&M expenses
(₹ Crores)

Particulars	**Nov 2, 2020 to Mar 31, 2021**
Manpower expenses – AAI employees	0.10
Manpower expenses – Airport Operator's employees	2.45
Utility expenses	0.03

Particulars	**Nov 2, 2020 to Mar 31, 2021**
IT expenses	0.03
Rates & taxes	(0.02)
Security expenses	(0.02)
Corporate Allocation Cost	(0.02)
Administrative expenses	(0.01)
Insurance	(0.01)
Repairs & Maintenance	(0.05)
Other Operating expenses	0.04
Bank charges	0.02
Total	**2.54**

Based on the above adjustments and reclassification, the revised Aeronautical O&M expenses for the period from COD to March 31, 2021 have been revised in the table below.

Table 41: Reallocated Aeronautical O&M expenses of the Airport Operator for the period from COD to March 31, 2021

(₹ Crores)

Particulars	**Nov 2, 2020 to Mar 31, 2021**
Manpower expenses – AAI employees	10.22
Manpower employees – Airport Operator's employees	5.55
Utility expenses	3.38
IT expenses	0.54
Rates and Taxes	0.77
Security expenses	1.61
Corporate Allocation cost	5.83
Administration and General expenses	3.65
Insurance expenses	0.41
Repairs & Maintenance expenses	5.35
Other Operating expenses	4.08
Bank charges	0.63

Particulars	Nov 2, 2020 to Mar 31, 2021
Total	**42.02**

5.7.3 Rationalisation of O&M expenses

Based on the Internal and External benchmarking analysis performed for O&M expenses through *the Study on Efficient Operation and Maintenance Expenses for CCSIA, Lucknow Limited*, the Authority proposes to rationalise the following expenses for the period from COD till March 31, 2021.

a. <u>Corporate Allocation costs</u>

- The Authority notes that the Corporate Allocation costs include ₹ 0.39 Crores pertaining to the costs of In-house Legal department, which is in addition to the salary cost of legal department's staff which has already been considered under the Manpower expenses of the Airport Operator. The Authority is of the view that since the salary costs of the Legal department has already been considered for the 5-month period under Manpower expenses, inclusion of the above costs of In-house Legal department under Corporate Allocation costs is not justified. Hence, the Authority proposes not to allow ₹ 0.39 Crores as part of Corporate Allocation Cost of the AO.

Table 42: Corporate Allocation cost of the Airport Operator considered by the Authority for True up from COD till March 31, 2021

(₹ in Crores)

Particulars	Ref.	COD to March 31, 2021
Aeronautical Corporate Allocation Cost submitted by Airport Operator	A	5.81
Aeronautical Corporate Allocation Cost Post-reclassification as per the Study	B	5.83
Less: Cost of In-house legal team allocated to CCSIA	C	(0.39)
Aeronautical Corporate Allocation Cost – proposed to be allowed	D	**5.44**

b. <u>Other Operating expenses</u>

- The Authority notes that the AO has claimed ₹ 4.12 Crores towards other operating expenses, which include Mechanised Environmental Support Services (MESS) for upkeep and maintenance of Terminal Building, Environment Support Services (ESS) of ancillary buildings and paved area, support security services for passenger & vehicular management etc. The Authority notes that the above expenses have been allocated by the AO in the Terminal Building ratio of 94.86:5.14, which the Authority proposes to re-allocate in the Terminal Building ratio of 92.5:7.5 as proposed by the *Asset Allocation Report*. The impact of such re-allocation is a downward adjustment of ₹ 0.04 Crores as shown in the table below. Further, the Authority notes that the Other Operating expenses include ₹ 0.43 crores (after re-allocation in the Terminal Building ratio of 92.5:7.5) towards cost of support security services, which the AO has claimed separately under the expense head Aeronautical Security expenses amounting to ₹ 1.59 Crores. Hence, the Authority proposes to exclude this expense from the Other

Operating expenses.

Table 43: Other Operating expenses of the Airport Operator considered by the Authority for True up from COD till March 31, 2021

(₹ in Crores)

Particulars	Ref.	COD to March 31, 2021
Aeronautical Other Operating expenses submitted by Airport Operator – for 5 months (refer Table 39)	A	4.12
Aeronautical Other Operating expenses post-reclassification as per the Study – for 5 months (refer Table 41)	B	4.08
Downward adjustment due to re-allocation (A-B)		0.04
Less: Cost of support security services (proposes not allowed)	C	(0.43)
Aeronautical Corporate Allocation Cost – proposed to be allowed as part of true up (B-C)	D	**3.65**

c. **Repairs and Maintenance**

- The Authority notes that the Repairs and maintenance expenses (₹ 5.35 Crores post re-classification by the Authority) is higher than 6% opening net block (opening RAB), as approved for other similar Airports. The Authority proposes to rationalize the Repairs and Maintenance expenses to the extent of 6% of the opening Net block as on COD i.e., November 2, 2020. The same is presented below:

Table 44: Repairs and Maintenance expenses of the Airport Operator considered by the Authority for True up from COD till March 31, 2021

(₹ Crores)

Particulars		COD to March 31, 2021
Aeronautical Repairs & Maintenance expenses submitted by Airport Operator – for 5 months	A	5.30
Aeronautical Repairs & Maintenance expenses post-reclassification as per the Study – for 5 months (refer Table 41).	B	5.35
Proportionate Repairs & Maintenance expenses for entire year, i.e., 12 months (B *12/5)	C	12.84
Opening RAB as on COD (refer Table 14)	D	187.88
Proportionate Repairs & Maintenance as % of RAB (E= (C/D*100)	E	6.83%
Proportionate amount of 6% of Opening RAB for 5 months (D* 6%*(5/12))	F	4.70
Repairs & Maintenance expenses proposed to be allowed for the Airport Operator	G	**4.70**
Amount proposed not to be considered by the Authority (H = B – G)	H	**0.65**

Based on the above analysis, the Authority has derived the O&M expenses that it proposes to consider for True up for the Airport Operator from COD till March 31, 2021 and the same is as follows:

Table 45: Adjusted Aeronautical O&M expenses proposed to be considered by the Authority for True up from COD till March 31, 2021

(₹ Crores)

Particulars	Ref.	Amount
Reallocated O&M expenses of the Airport Operator = (A)		
Manpower expenses – AAI employees	Table 41	10.22
Manpower employees – Airport Operator's employees		5.55
Utility expenses		3.38
IT expenses		0.54
Rates and Taxes		0.77
Security expenses		1.61
Allocation of Corporate expenses		5.83
Administration and General expenses		3.65
Insurance expenses		0.41
Repairs and Maintenance expenses		5.35
Other operating expenses		4.08
Bank charges		0.63
Intangible asset	Table 36	6.88
Total		**48.90**
Rationalisation of O&M expenses (proposed not to be allowed by the Authority) = (B)		
Manpower expenses		-
Utility expenses		-
IT expenses		-
Rates and Taxes		
Security expenses		-
Allocation of Corporate expenses	Table 42	(0.39)
Administration and General expenses		-
Insurance expenses		-
Other operating expenses	Table 43	(0.43)

Particulars	**Ref.**	**Amount**
Repairs and Maintenance expenses	Table 44	(0.65)
Bank charges		-
Total		**(1.47)**
Adjusted Aeronautical O&M expenses proposed by the Authority for True up = (A-B)		
Manpower expenses – AAI employees		10.22
Manpower employees – Airport Operator's employees		5.55
Utility expenses		3.38
IT expenses		0.54
Rates and Taxes		0.77
Security expenses		1.61
Allocation of Corporate expenses		5.44
Administration and General expenses		3.65
Insurance expenses		0.41
Repairs & Maintenance expenses		4.70
Other Operating expenses		3.65
Bank charges		0.63
Intangible asset		6.88
Total		**47.43**

5.7.4 The Authority proposes to consider O&M expenses of ₹ 47.43 crores for true up of the period from COD till March 31, 2021, as shown in Table 45.

5.8 True up of Non-aeronautical revenue (NAR)

5.8.1 The Airport Operator has submitted the following components of NAR for the period from COD till March 31, 2021, which the Authority has verified with the Books of Account of the AO.

Table 46: NAR submitted by AO for True up from COD till March 31, 2021

(₹ Crores)

Particulars	**Amount**
Food & beverages	1.37
Retail	1.63
Duty free	0.39
Advertising	3.19
Car parking	2.07
Lounge	0.06
Building rent	5.93

Particulars	Amount
Other income	3.48
Total	**18.12**

5.8.2 The Authority, therefore, proposes to consider NAR for the period from COD till March 31, 2021 as per Table 46.

5.9 True up of Aeronautical Revenue

5.9.1 The Airport Operator has submitted the following components of Aeronautical Revenue for the period from COD till March 31, 2021, which the Authority has verified with the Books of Account of the AO and noted the same to be in order. Further, the Aeronautical revenue earned during the period from COD till March 31, 2021 is based on the actual traffic achieved during such period as detailed in Table 6.

Table 47: Aeronautical Revenue reclassified and proposed to be considered by the Authority for True up from COD till March 31, 2021

(₹ Crores)

Particulars	Amount
Landing revenue	21.49
Parking & Housing revenue	1.10
Ground Handling charges	0.89
Passenger UDF revenue	14.10
CUTE Revenue	1.29
CGF rentals	0.99
Cargo, Fuel and Others	1.81
Total	**41.67**

5.9.2 The Authority proposes to consider Aeronautical Revenue for the period from COD till March 31, 2021 as per Table 47.

5.10 True up of Taxation

5.10.1 The AO has submitted 'Nil' tax for the period from COD till March 31, 2021. The Authority notes that the actual Aeronautical revenue earned by the AO for the above 5-month period is lesser than the Operating expenses and Depreciation incurred by AO, thereby resulting in losses and 'Nil' Aeronautical Taxation.

5.11 True up of ARR

5.11.1 Based on its analysis of the various building blocks, the Authority has determined the ARR and Shortfall (Under recovery) for True up of the Pre-COD period and same is presented in the table below:

Table 48: ARR proposed to be considered by the Authority for true up from COD till March 31, 2021

(₹ Crores)

Particulars	Ref.	Amount
Average RAB (refer Table 37)		185.57
Return on Average RAB (@ 5.75%) (refer Table 38)	A	10.68
Operating expenses (refer Table 45)	B	47.43

Particulars	Ref.	Amount
Depreciation (refer Table 37)	C	7.16
Tax	D	0.00
ARR (Sum A:D)	E	65.27
Non-aeronautical revenue (refer Table 46)		18.12
Less: 30% of Non-aeronautical revenue	F	(5.44)
Net ARR (E-F)	G	59.83
Actual Aeronautical Revenue (refer Table 47)	H	41.67
(Over recovery)/ under-recovery (G-H)	I	18.16
Discount factor as on March 31, 2021	J	1.00
PV of Under-recovery as on March 31, 2021= I*J	K	18.16
Discount factor (@ 12.21%) as on March 31, 2022	L	1.1221
PV of Under-recovery as on March 31, 2022= K*L		**20.38**

5.11.2 The Authority proposes to consider under recovery of ₹ 20.38 crores for True up of the Airport Operator for the period from COD up to March 31, 2021 and readjust the same in the ARR computation of CCSIA, Lucknow for the Third Control Period.

5.11.3 The ARR proposed by the Authority is ₹20.38 crores (refer Table 48), as against ₹ 26.10 crores submitted by the AO. The variance is on account of the following

i. Re-classification of assets, due to which there is reduction in the Return on RAB and Depreciation derived by the Authority.

ii. Rationalisation of FRoR claimed by the AO.

iii. Rationalisation of O&M expenses claimed by the AO.

5.12 Authority's proposal regarding True up for the period from COD till March 31, 2021

Based on the material before it and its examination, the Authority proposes the following with respect to True up of the period from COD till March 31, 2021 for CCSIA, Lucknow:

5.12.1 To consider true up of RAB and depreciation for the period from COD till March 31, 2021 as per Table 37.

5.12.2 To consider true up of FRoR for the period from COD till March 31, 2021 as per Table 38.

5.12.3 To consider true up of Aeronautical O&M expenses for the period from COD till March 31, 2021 as per Table 45.

5.12.4 To consider true up of Non-aeronautical revenue for the period from COD till March 31, 2021 as per Table 46.

5.12.5 To consider true up of Aeronautical revenue for the period from COD till March 31, 2021 as per Table 47.

5.12.6 To consider under recovery of ₹ 20.38 crores for True up of the Airport Operator as per Table 48 for the period from COD till March 31, 2021 and readjust the same in the ARR for the Third Control Period.

6. TRAFFIC PROJECTIONS FOR THE THIRD CONTROL PERIOD

The historical Passenger traffic, ATM and Cargo traffic at the Airport have been shown in the table below:

Table 49: Historical Passenger, ATM and Cargo traffic at CCSIA

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM	Domestic Cargo	International Cargo	Total Cargo
2010-11	1,238,614	337,264	1,575,878	11,867	2,338	14,205	3,492	586	4,078
2011-12	1,663,420	355,134	2,018,554	15,898	2,652	18,550	3,690	839	4,529
2012-13	1,639,428	382,986	2,022,414	15,632	2,763	18,395	2,290	1,156	3,446
2013-14	1,872,143	440,148	2,312,291	16,758	2,924	19,682	3,084	1,155	4,239
2014-15	2,066,565	474,676	2,541,241	16,745	3,004	19,749	3,400	1,460	4,860
2015-16	2,649,146	592,746	3,241,892	20,347	6,970	27,317	2,301	2,656	4,957
2016-17	3,307,351	661,599	3,968,950	24,540	4,816	29,356	2,336	2,507	4,843
2017-18	4,013,891	739,030	4,752,921	31,231	5,182	36,413	3,335	2,994	6,329
2018-19	4,697,121	835,698	5,532,819	36,258	5,494	41,752	3,478	2,633	6,111
2019-20	4,696,669	737,088	5,433,757	33,593	4,901	38,494	11,741	3,141	14,882
2020-21	2,026,608	414,429	2,441,037	19,572	3,382	22,954	9,070	898	9,968

6.1. AO's submission of Traffic for the Third Control Period

6.1.1 The traffic growth rates and traffic as submitted by AO for the Third Control Period are as follows:

Table 50: Traffic growth rates and traffic proposed by AO

Year	Passenger			ATM			Cargo		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Growth rates									
2021-22*	52.96%	-20.37%	40.51%	12.83%	(35.69%)	5.68%	15.77%	289.76%	40.45%
2022-23	41.94%	63.64%	44.02%	41.65%	62.92%	43.56%	18.08%	(11.44)%	10.70%
2023-24	23.00%	55.00%	26.50%	22.76%	54.32%	25.97%	7.81%	7.81%	7.81%
2024-25	21.00%	20.00%	20.87%	20.76%	19.48%	20.60%	9.91%	9.91%	9.91%
2025-26	19.00%	18.50%	18.93%	18.76%	17.99%	18.67%	9.95%	9.95%	9.95%
Traffic									
2021-22	31,00,000	3,30,000	34,30,000	22,084	2,175	24,259	10,500	3,500	14,000
2022-23	44,00,000	5,40,000	49,40,000	31,283	3,543	34,826	12,399	3,100	15,498
2023-24	54,12,000	8,37,000	62,49,000	38,402	5,468	43,870	13,367	3,342	16,709
2024-25	65,48,520	10,04,400	75,52,920	46,374	6,533	52,907	14,692	3,673	18,365
2025-26	77,92,739	11,90,214	89,82,953	55,076	7,708	62,784	16,153	4,038	20,192
Total	**2,72,53,259**	**39,01,614**	**3,11,54,873**	**1,93,219**	**25,427**	**2,18,646**	**67,110**	**17,653**	**84,763**

* *Growth rates are computed based on FY 2020-21.*

6.1.2 The AO had engaged an independent agency – CAPA India in August 2020 for assessing passenger traffic, aircraft movement and cargo traffic for CCSIA. Based on its analysis, CAPA India has provided high, medium and low estimate scenarios of projected traffic for the Third Control Period. The traffic projections submitted by the AO in Table 50 above is adopted from CAPA India's 'high scenario'.

6.1.3 The Passenger traffic and ATM projected above has been adjusted by the Airport Operator to account for billable passenger traffic (excluding certain categories of passengers such as infants for whom UDF charges are not leviable) and billable domestic ATMs (other than ATMs pertaining to less than 80-seater capacity flights that are exempt from landing charges, which includes flights operating under Regional Connectivity scheme (RCS) scheme initiated by the Government,). Based on the historical trends, the exempt traffic has been submitted by the AO as ranging from 3% to 5% of the total domestic ATMs for the Third Control Period, as shown in the table below. Further, the AO has submitted that out of the total exempt traffic (less than 80-seater capacity flights) for each FY in the Third Control Period, 50% pertains to flights operating under the RCS scheme and balance 50% pertains to Non-RCS scheme.

Table 51: Exempted Domestic ATM submitted by AO for the Third Control Period for CCSIA

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Exempt Domestic ATM submitted by AO as a % of total Domestic ATM	5%	4%	3%	3%	3%

6.1.4 The adjusted Passenger traffic and ATM submitted by AO are as follows:

Table 52: Traffic growth rates (Y-O-Y) submitted by AO, after adjustment of exempt traffic

Year	Passenger			ATM			Cargo		
	Domestic	International	Combined	Domestic	International	Combined	Domestic	International	Combined
Growth rates									
2021-22*	49.91%	-21.96%	37.76%	7.19%	(35.69) %	0.88%	15.77%	289.76%	40.45%
2022-23	41.94%	63.64%	44.02%	43.15%	62.92%	45.00%	18.08%	(11.44) %	10.70%
2023-24	23.00%	55.00%	26.50%	24.04%	54.32%	27.23%	7.81%	7.81%	7.81%
2024-25	21.00%	20.00%	20.87%	20.76%	19.48%	20.60%	9.91%	9.91%	9.91%
2025-26	19.00%	18.50%	18.93%	18.76%	17.99%	18.67%	9.95%	9.95%	9.95%
Traffic									
2021-22	30,38,000	3,23,400	33,61,400	20,980	2,175	23,155	10,500	3,500	14,000
2022-23	43,12,000	5,29,200	48,41,200	30,032	3,543	33,575	12,399	3,100	15,498
2023-24	53,03,760	8,20,260	61,24,020	37,250	5,468	42,718	13,367	3,342	16,709
2024-25	64,17,550	9,84,312	74,01,862	44,983	6,533	51,516	14,692	3,673	18,365
2025-26	76,36,884	11,66,410	88,03,294	53,424	7,708	61,132	16,153	4,038	20,192
Total	**2,67,08,194**	**38,23,582**	**3,05,31,776**	**1,86,668**	**25,427**	**2,12,095**	**67,110**	**17,653**	**84,763**

* *Growth rates are computed based on FY 2020-21.*

6.2. Authority's examination of AO's submission of Traffic for the Third Control Period

6.2.1 The Authority notes that CAPA India, appointed as a consultant by the Airport Operator, has derived traffic forecast based on Regression forecast methodology, developed through econometric analysis of historical data combined with projections of key demand drivers as given below:

- Projections of GDP (Urban area and State level) and population were derived to assess domestic and international passenger forecasts.
- The aircraft movement forecasts for the Airport were derived based on average number of passenger movements per aircraft movement (based on historical data). Further, the data on type of aircraft and load factors achieved have been used to derive aircraft movements.
- For cargo forecasts, the historical data was not used, as freight volumes follow a volatile growth pattern. As the cargo base at CCSIA is low, CAPA India has identified other comparable airports for predicting the domestic and international cargo traffic growth.

6.2.2 The Authority notes that the AO has assumed the ‘high scenario’ estimates of traffic forecasts submitted by CAPA India for projecting Passenger traffic, ATM and Cargo (both domestic and international).

6.2.3 The Authority notes that the Airport Operator has considered only billable ATM, after excluding ATM traffic that are exempted from landing charges. However, the Authority is of the view that RCS scheme is promoted by the GoI with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered by Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircrafts, therefore the flights operating under this scheme are not eligible to be claimed as a passthrough/ exemption. The Authority notes that, as per AO, out of the total exempted traffic (being flights with less than 80-seater capacity), being 3% to 5% of the total domestic ATM, nearly 50% constitutes flights operating under the RCS scheme and the balance pertains to other than RCS schemes. Based on the above factors, the Authority has estimated traffic projections after excluding ATMs that pertain to less than 80-seater capacity flights which fall under non-RCS category and being exempted from landing charges. The Authority, after rationalization has derived the exempted traffic as 4% for FY 2021-22 and has considered the same for determining the billable domestic ATM for FY 2021-22. For the remaining tariff years the Authority has considered the exempt traffic submitted by the AO (refer Table 51). Based on the above factors, the exempt traffic considered by the Authority (after excluding ATMs that pertain to less than 80-seater capacity flights which fall under non-RCS category) for determining billable domestic ATM for the Third Control Period for CCSIA is as follows:

Table 53: Exempt traffic considered by the Authority for determining billable traffic for the Third Control Period for CCSIA

Particulars	FY 21-22*	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Exempt Domestic ATM considered by the Authority	4%	4%	3%	3%	3%

* *Actual data has been considered for FY 2021-22.*

Similarly, Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. The AO cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across all the Major Airports.

6.2.4 As part of its examination of traffic forecast submitted by the Airport Operator, the Authority has calculated Compounded Annual Growth Rate, or CAGR, for Passenger traffic, ATM and Cargo from FY 2010-11 to FY 2019-20 (10-year CAGR), FY 2015-16 to FY 2019-20 (5-year CAGR), FY 2017-18 to FY 2019-20 (3-year CAGR) and FY 2010-11 to FY 2018-19 (9-year CAGR).

6.2.5 The 10-year, 5-year and 3-year CAGRs have been computed for the respective periods up to FY 2019-20, as FY 2020-21 being an exceptional event year, may not provide an appropriate basis for arriving at CAGR. However, the computation of 9-year CAGR is based on the period FY 2010-11 to FY 2018-19, in order to remove certain extraneous events of FY 2019-20 as detailed in section 6.2.7 below. The table below provides the details of the CAGR for Passenger traffic, ATM and Cargo:

Table 54: CAGR for Passenger traffic, ATM and Cargo

Particulars	10-year CAGR	5-year CAGR	3-year CAGR	9-year CAGR*
Passengers:				
Domestic	15.96%	15.39%	8.17%	18.13%
International	9.08%	5.60%	-0.13%	12.01%
Total Passenger Traffic	14.74%	13.78%	6.92%	17.00%
ATM:				
Domestic	12.26%	13.35%	3.71%	14.98%
International	8.57%	-8.43%	-2.75%	11.27%
Total ATM	11.71%	8.95%	2.82%	14.43%
Cargo:				
Domestic	14.42%	50.30%	87.63%	-0.05%
International	20.51%	4.28%	2.43%	20.66%
Total Cargo Traffic	15.47%	31.63%	53.34%	5.19%

* *for the period FY 2010-11 to FY 2018-19*

6.2.6 The Authority has noted that there is a variation in traffic and volatility in data, which causes the CAGR for 5-year and 3-year period to be inappropriate for future traffic projections.

6.2.7 The Authority notes that there has been a decrease in the Passenger and ATM traffic particularly in the FY 2019-20, which is a pre-COVID year, mainly due to the closure of operations by Jet Airways with no replacement for those vacant slots and the impact of COVID pandemic towards the end of the FY 2019-20.

6.2.8 It was observed that there was a de-growth of 131.75% and 77.86% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21 (compared to FY 2019-20), due to the adverse impact of COVID-19 pandemic on the domestic and international travels. Similarly, it was observed that there was a de-growth of 71.64% and 44.91%, respectively in domestic ATM and international ATM as well as de-growth of 29.45% and 249.78% respectively in domestic Cargo and international Cargo for FY 2020-21 (compared to FY 2019-20).

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

The traffic forecasts have been computed by the Authority, after taking into account the analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector, apart from the study report provided by CAPA India for CCSIA, Lucknow.

6.2.9 Airports Council International (ACI)

ACI in its report on June 28, 2022 has projected the following air passenger traffic outlook:

- *Global domestic passenger traffic is still expected to reach 2019 levels in late 2023 with full-year 2023 traffic at par with 2019 levels.*
- *International passenger traffic will require almost one more year to recover and is forecast to reach 2019 levels only by the second half of 2024.*

6.2.10 International Air Transport Association (IATA)

IATA in its report as on June 20, 2022 has announced an upgrade to its outlook for the airline industry's 2022 financial performance as the pace of recovery from the COVID-19 crisis quickens:

- ***Passenger revenues*** *are expected to account for $498 billion of industry revenues, more than double the $239 billion generated in 2021. Scheduled passenger numbers are expected to reach 3.8 billion, with revenue passenger kilometers (RPKs) growing 97.6% compared with 2021, reaching 82.4% of 2019 traffic. As pent-up demand is released with the easing of travel restrictions, yields are expected to rise 5.6%. That follows a yield evolution of -9.1% in 2020 and +3.8% in 2021.*
- ***Cargo revenues*** *are expected to account for $191 billion of industry revenues. That is down slightly from the $204 billion recorded in 2021, but nearly double the $100 billion achieved in 2019. Overall, the industry is expected to carry over 68 million tonnes of cargo in 2022, which is a record high. As the trading environment softens slightly, cargo yields are expected to fall 10.4% compared with 2021. That only partially reverses the yield increases of 52.5% in 2020 and 24.2% in 2021.*

Conclusion on traffic forecasts based on the above assumptions

6.2.11 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecasted data published by ACI and IATA cited in para 6.2.9 and 6.2.10 above for arriving at the revised traffic projections.

6.2.12 The Authority has reviewed the actual Passenger traffic, ATM and Cargo traffic data for FY 2021-22 (from AAI website) and has considered the same for estimating traffic for the Third Control Period:

Table 55: Passenger traffic and ATM for the period April 2021 to March 2022

Particulars	Domestic	International	Total
Actual Traffic data from April 21 to March 22			
PAX	27,11,238	5,92,722	33,03,960
ATM	25,534	4,471	30,005
CARGO*	12,517	2,808	15,325

** Actual Cargo traffic for FY 2021-22 has been furnished based on data confirmed by the AO vide email dated September 12, 2022.*

- The Authority also compared the actual traffic achieved during YTD Nov 2022 (i.e., April 2022 to Nov 2022) with that of the corresponding period in FY 2019-20 (Pre-COVID period) and notes that the actual Passenger and ATM traffic of YTD Nov 2022 is almost in line with that of FY 2019-20 and that the Cargo traffic of FY 2022-23 has already surpassed the Pre-COVID levels of FY 2019-20. The details of the same are as follows:

Table 56: Comparison of Passenger, ATM and Cargo traffic at CCSIA between April-Nov 2019 vs April-Nov 2022

Traffic	April 2019 - Nov 2019			April 2022 – Nov 2022			Traffic of 2022-23 as a % of 2019-20 traffic		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Passenger	32,12,457	5,17,325	37,29,782	26,38,816	5,76,324	32,15,140	82%	111%	86%
ATM	23,078	3,336	26,414	23,134	3,944	27,078	100%	118%	103%
Cargo	8,023	2,304	10,327	7,790	2,454	10,244	97%	107%	99%

6.2.13 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.

6.2.14 Further, considering the predictions done by the above agencies (as cited in para 6.2.9 and 6.2.10), 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.

6.2.15 The Authority notes that the traffic forecasts provided by the Airport Operator (based on CAPA India Study report) corresponds to the above views of the Authority that the domestic and international passenger traffic will reach pre-COVID levels of FY 2019-20 by FY 2022-23 and FY 2023-24, respectively.

6.2.16 The Authority reviewed the CAGR (10-year, 9-year, 5-year and 3-year) derived by it as per Table 54. However, considering the positive outlook provided by the Expert Agencies, the GoI's decision to resume commercial flights and the encouraging trend in the traffic numbers reported in the first three quarters of FY 2022-23, the Authority proposes to consider the passenger traffic and ATM proposed by the Airport Operator for the last three (3) tariff years viz., FY 2023-24 to FY 2025-26.

6.2.17 In respect of Cargo traffic, the Authority notes that CCSIA has already achieved 100% of Pre-COVID level in the FY 2021-22 mainly due to the revival in domestic cargo traffic (i.e., Total Cargo volume of 15,325 MT achieved in FY 2021-22 as against the Cargo volume of 14,882 MT in FY 2019-20). Further, considering the positive trend in the combined Cargo traffic for the first quarter of FY 2022-23, the Authority proposes to consider the Cargo traffic projections submitted by the AO for the remaining four tariff years of the Third Control Period.

6.2.18 Based on the above analysis, the traffic growth rates and the corresponding traffic for Passengers, ATM and Cargo as considered by the Authority for the Third Control Period are given in the table below:

Table 57: Traffic proposed to be considered by the Authority for the Third Control Period

Domestic Passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Domestic PAX submitted by AO	46.97	31.00	44.00	54.12	65.49	77.93	**272.53**
Domestic PAX proposed by the Authority		27.11	46.97	54.12	65.49	77.93	**271.62**
AO's submission as a % of FY 2019-20 traffic		66%	94%	115%	139%	166%	
Proposed traffic as per Authority as a % of FY 2019-20 traffic		58%	100%	115%	139%	166%	
International Passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
International PAX submitted by AO	7.37	3.30	5.40	8.37	10.04	11.90	**39.01**
International PAX proposed by the Authority		5.93	6.20	8.37	10.04	11.90	**42.44**
AO's submission as a % of FY 2019-20 traffic		45%	73%	114%	136%	161%	
Proposed traffic as per Authority as a % of FY 2019-20 traffic.		80%	84%	114%	136%	161%	
Total passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Total PAX as per AO's submission	54.34	34.30	49.40	62.49	75.53	89.83	**311.55**
Total (Domestic and International) proposed by the Authority		33.04	53.17	62.49	75.53	89.83	**314.06**

Proposed total traffic as per AO's submission as a % of FY 2019-20 traffic		63%	91%	115%	139%	165%	
Proposed total traffic as per Authority as a % of FY 2019-20 traffic		61%	98%	115%	139%	165%	
Domestic ATM (in '000)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Domestic ATM submitted by AO	33.59	22.08	31.28	38.40	46.37	55.08	**193.22**
Domestic ATM proposed by the Authority (A)		25.53	33.59	38.40	46.37	55.08	**198.97**
AO's submission as a % of FY 2019-20 total ATM		66%	93%	114%	138%	164%	
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM		76%	100%	114%	138%	164%	
Domestic exempted ATM %	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Average**
Submitted by AO		5%	4%	3%	3%	3%	**4%**
As per the Authority (B)		4%	4%	3%	3%	3%	**3%**
Domestic Billable ATM (in '000)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		20.98	30.03	37.25	44.98	53.42	**186.66**
As per the Authority C = A*(1-B)		24.51	32.25	37.25	44.98	53.42	**192.41**
International ATM (in '000)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
International ATM submitted by AO	4.90	2.18	3.54	5.47	6.53	7.71	**25.43**
International ATM proposed by the Authority (D)		4.47	4.87	5.47	6.53	7.71	**29.05**
AO's submission as a % of FY 2019-20 ATM		44%	72%	112%	133%	157%	
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM		91%	99%	112%	133%	157%	
Total ATM (in '000s)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Total ATM (Domestic and International) as per AO's submission	38.49	24.26	34.83	43.87	52.91	62.78	**218.65**
Total ATM (Domestic and International) proposed by the Authority (A+D)		30.00	38.46	43.87	52.90	62.79	**228.02**
AO's submission as a % of FY 2019-20 total ATM		63%	90%	114%	137%	163%	
Proposed total ATM as per Authority as a % of FY 2019-20 ATM		78%	100%	114%	137%	163%	
Total Billable ATM (in '000)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		23.16	33.58	42.72	51.52	61.13	**212.10**
As per Authority (C+D)		28.98	37.12	42.72	51.51	61.13	**221.46**

Domestic Cargo (MT in '000)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Domestic Cargo submitted by AO	11.74	10.50	12.40	13.37	14.69	16.15	**67.11**
Domestic Cargo proposed by the Authority		12.52	12.40	13.37	14.69	16.15	**69.13**
AO's submission as a % of FY 2019-20 total Cargo		89%	106%	114%	125%	138%	
Proposed Cargo traffic as per Authority as a % of FY 2019-20 ATM		106%	106%	114%	125%	138%	
International Cargo (MT in '000)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
International Cargo submitted by AO	3.14	3.50	3.10	3.34	3.67	4.04	**17.65**
International Cargo proposed by the Authority		2.81	3.10	3.34	3.67	4.04	**16.96**
AO's submission as a % of FY 2019-20 Cargo		111%	99%	106%	117%	129%	
Proposed Cargo traffic as per Authority as a % of FY 2019-20 Cargo		89%	99%	106%	117%	129%	
Total Cargo (MT in '000)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Total Cargo submitted by AO	14.88	14.00	15.50	16.71	18.36	20.19	**84.76**
Total Cargo proposed by the Authority		15.33	15.50	16.71	18.36	20.19	**86.09**
AO's submission as a % of FY 2019-20 total Cargo		94%	104%	112%	123%	136%	
Proposed Cargo traffic as per Authority as a % of FY 2019-20 Cargo		103%	104%	112%	123%	136%	

Note: The Authority has considered the traffic of FY 2021-22 based on the actuals as available at AAI's website.

6.3. 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:

6.3.1. To consider the Passenger traffic, ATM and Cargo traffic for the Third Control Period for CCSIA as per Table 57.

6.3.2. To true up the traffic volume (Passengers, ATM and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

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

7.1. Background

7.1.1 RAB is an essential element in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment provided solely on the assets related to the core operations (i.e., Aeronautical services) of the airport.

7.1.2 The Authority notes that Schedule B to the Concession Agreement (CA), describes about development of the airport which includes construction and procurement of various assets such as:

- Environmental Sustainability projects relating to water, energy, materials / resources, waste management, indoor environment quality, etc.
- Runways, taxiways, apron, aircraft parking bays, air traffic control tower, Cargo facilities, Parking, flight kitchens, MRO facilities, warehousing facilities, airline offices, administrative offices and associated facilities.
- Construction and procurement of Terminal Building and facilities and
- Construction of required approach roads.

7.1.3 The relevant Clauses of Schedule B to the CA have been given in para 17.3.14 of Chapter 17 of this Consultation Paper.

7.1.4 In this background, the Authority observes that the AO has planned to develop CCSIA in a phased manner during the Concession period, as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections.

7.1.5 The Authority also notes that the AO is mandated to develop a new integrated terminal building which is efficiently planned, flexible for phase-wise development, sustainable and economical, as stipulated in Schedule B of Annex I of the CA (refer to Para 17.3.15 of Chapter 17 of this Consultation Paper). Further, as per clause 23.7.1 of the CA, the AO should participate in the user survey of ASQ undertaken by ACI, conducted every quarter and ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within five (5) years from the COD and maintain the same throughout the rest of the Concession Period.

7.1.6 The Independent Consultant appointed by the Authority has performed an in-depth analysis of the submissions made by the Airport Operator towards Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant has performed the following functions:

i. Conducted Site visit on July 27, 2022 to July 29, 2022 to witness the physical progress of the projects.

ii. Sought and verified various technical and study reports of the Consultant appointed by the AO, Drawings and Plans, BOQs, cost estimates and break-up, detailed justification and explanation, deviation statement, Demand vs Requirement statement, Copies of Letter of Intent (LOI), Letter of Award (LOA), Purchase Orders and Work Orders, etc., provided by the Airport Operator and

iii. Sought documentary evidence and verified the process of approval of CAPEX projects including competitive bidding process for award of various work orders to the contractors for such projects.

7.1.7 AERA along with its Independent Consultant had subsequently conducted site visit between December 6, 2022 and December 7, 2022 for an independent assessment of the physical progress of the projects at CCSIA.

Based on the site visits and the review of documents as stated above, the Authority has rationalized the CAPEX projects, submitted by the Airport Operator by shifting the capitalization of some of the projects within the Third Control Period and deferring certain others to the next Control Period based on the essentiality and necessity for Airport operations.

7.1.8 While doing so, the Authority observed that the assessment of expansion/ development plan of the Airport and its phasing is a technical matter, which requires analysis by the domain expert. In this regard, the Authority has also taken into consideration the roles and responsibilities of Independent Engineers as stated under Schedule L of the Concession Agreement. The relevant Clauses of the Concession Agreement relating to the appointment, duties, functions, remuneration etc. are mentioned in para 17.3.12 and para 17.3.13 under Chapter 17 of this Consultation Paper. The Authority notes that there is provision available in the Concession Agreement (Clause 24.3.1) for passthrough of the remuneration, cost and expenses paid to the Independent Engineer to ensure providing efficient, justified and reasonable CAPEX for the Airport.

7.1.9 In the background of the facts stated above, the Authority has examined the entire CAPEX plan in detail including CWIP projects and the New CAPEX for CCSIA, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period with a view to encourage the investment and maintain a balanced approach between the sustainable operations of the Airport Operator and the interest of the airport users. Further, the Authority takes cognizance of the fact that, if any excessive CAPEX is allowed in this Control Period, it would be against the regulatory framework, as tariff would have no link to the services/ facilities created at the Airport and the resultant high aeronautical charges would be unfair to the ultimate users.

7.1.10 Towards this objective, the Authority has examined in detail the Aeronautical Capital Expenditure, Depreciation and RAB submitted by the Airport Operator and has presented its views in the following order:

i. Aeronautical Capital expenditure proposed for Third Control Period
    - Capital Additions initiated by AAI during the pre-COD period and transferred to AO as part of the Concession Agreement.
    - New Capital additions proposed by the AO

ii. Aeronautical Allocation of CAPEX for the Third Control Period

iii. Aeronautical Depreciation for the Third Control Period

iv. Regulatory Asset Base for the Third Control Period

7.1.11 While analysing the MYTP regarding capitalization of Aeronautical Expenditure for the Third Control Period, the Authority has considered the lower traffic caused by the COVID-19 pandemic and the resultant stress on the financials of all the stakeholders of civil aviation sector. In this background, the Authority has sought and examined the Airport Operator’s submission based on the following details / criteria:

- Nature of the expenditure

- Necessity / requirement of the expenditure
- Business plan and Master plan for all projects
- Number of PAX both at present and projected for the Third Control period
- Terminal Capacity both at present and projected for the Third Control period
- Other short-term and long-term plans of the Airport Operator
- Sustainability of the airport operations
- Passenger consideration
- Safety and security of the airport
- Process of approval and sanction for various work orders / purchase orders
- Site visit conducted through the Authority’s Independent Consultant to witness the physical progress (between July 27, 2022 to July 29, 2022).

Based on the above, the Authority has rationalised the capital expenditure for all the projects and accordingly proposed capital additions for the Third Control Period. Further, the Authority has identified certain non-critical works and other works which require more technical study and recommended for such works to be deferred to the next Control Period. However, if the project is mandated by regulatory requirements or for improving operational efficiency, the Authority may true up the costs on actual incurrence basis, subject to reasonableness at the time of determination of tariff for the next Control Period.

7.2. AO’s submission of Capital Expenditure (CAPEX) proposed for the Third Control Period

7.2.1. The Authority notes that the Airport Operator submitted Aeronautical Capital Expenditure of ₹ 4109.84 Crores in the original MYTP dated July 31, 2021, an amount of ₹ 4,036.98 Crores in the revised MYTP dated January10, 2022, and ₹ 4,991.78 Crores in the revised CAPEX Schedule submitted on June 23, 2022, which was subsequently increased to ₹ 5,065.20 Crores based on detailed estimate of the AO, for the Third Control period.

7.2.2. A comparison of Aeronautical Capital Expenditure submitted by the Airport Operator during the different time periods, namely, the original MYTP submitted on July 31, 2021, revised MYTP as on January 10, 2022 followed by revised CAPEX schedule submitted on June 23, 2022 and with subsequently updated CAPEX of ₹ 5,065.20 Crores, is shown as follows:

Table 58: Comparison of Asset-wise Aeronautical Capital Expenditure submitted by the Airport Operator during different time periods for the Third Control Period

(₹ Crores)

Asset Category	**CAPEX as per original MYTP as on July 31, 2021**	**CAPEX as per revised MYTP as on January 10, 2022**	**Revised CAPEX submission as on June 23, 2022**	**Revised CAPEX submission including subsequent revisions by AO**
Runway, Taxiway & Apron	361.10	394.65	306.88	366.87
Terminal Building (Aero)	2,113.27	2,044.05	2,428.20	2,428.20
Cargo Building	31.14	22.03	38.38	38.38
Cargo Equipment	15.05	8.98	8.71	8.71
Fuel facility	166.01	116.38	217.50	217.50
Security Equipment	97.55	98.31	98.31	98.31
Plant & Machinery	256.78	271.42	244.24	257.72
Roads	206.83	222.02	123.22	123.22
Boundary walls	41.64	49.49	12.84	12.84
Software	0.29	0.29	-	-
Information Technology	12.19	12.19	7.64	7.64
Other Buildings	321.19	331.48	364.95	364.95
Furniture & fixtures	0.40	0.40	-	-
Vehicles	0.29	0.29	-	-
Total Project Cost	**3,623.72**	**3,571.97**	**3,850.88**	**3924.34**
Add: Cost of PMC, Design, Contingencies, Preliminary & pre-operatives, Insurance, Labour cess, Site preparation, Statutory approvals, etc	-	-	523.07	523.07
Add: Financing Allowance (FA) / IDC	486.12	465.01	617.80	617.80
Aero Capex (including PMC, Design, Contingencies, etc and FA / IDC)	**4,109.84**	**4,036.98**	**4,991.75**	**5,065.20**

7.2.3. Further, the Authority notes that the Aeronautical Capex has been increased from ₹ 4,036.98 Crores in the revised MYTP to ₹ 5,065.20 Crores as per the revised CAPEX Schedule largely based on the following factors:

i. Revision in the Contract value awarded to M/s. Nagarjuna Construction Company Limited (NCC) towards construction of new Terminal Building T3 and the related contracts for roads (both elevated and landside roads).

ii. Increase in Fuel Facility and Cargo Building based on actual Letter of Award (LOA) issued by the AO to the third-party vendors

iii. Inclusion of both Financing allowance and Interest During Construction (IDC) as against *only* Financing allowance claimed earlier

iv. Inclusion of Runway Overlay project in the last tariff year, i.e., FY 2025-26 of the current Control Period. AO had earlier considered the same under OPEX as ‘amortization of runway recarpeting’ in the last tariff year.

v. Inclusion of other projects such as Emergency access road parallel to runway alongwith Widening of Perimeter-road and revision in the Cost estimate of projects such as Apron / taxiway works and Construction of Drains.

vi. Downward adjustments made to Capex on Roads and Boundary walls on account of reduction in rates of certain materials, etc.

The Authority observes that in the revised CAPEX submission, the AO has provided details of PMC cost for each category of asset. The details of Asset-wise and FY-wise Aeronautical CAPEX submitted by the AO as per the revised CAPEX Schedule is shown in the table below:

Table 59: Asset-wise Aeronautical Capital Expenditure submitted by the Airport Operator on June 23, 2022 for the Third Control Period

(₹ Crores)

Asset Category	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Terminal Building (Aero)	0.90	-	2,154.00	273.30	-	**2,428.20**
Runway, Taxiway and Apron	11.93	242.02	10.00	62.91	40.00	**366.87**
Cargo building	-	-	38.40	-	-	**38.38**
Cargo Equipment	3.40	0.82	4.49	-	-	**8.71**
Boundary wall	-	4.20	5.60	0.10	3.00	**12.84**
Software	-	-	-	-	-	**-**
IT equipment	3.80	1.50	2.30	-	-	**7.64**
Security equipment	3.30	16.20	14.20	54.80	9.80	**98.31**
Plant and Machinery	10.60	180.04	50.64	14.10	2.40	**257.73**
Other Buildings	5.90	19.50	330.60	7.40	1.50	**364.95**
Access Road	-	23.80	51.80	-	47.60	**123.22**
Land	-	-	-	-	-	**-**
Fuel	-	24.50	193.00	-	-	**217.50**
Furniture & fixtures	-	-	-	-	-	**-**
Vehicles	-	-	-	-	-	**-**
Office equipment	-	-	-	-	-	**-**
Total Project Cost	**39.90**	**512.60**	**2,854.88**	**412.55**	**104.42**	**3,924.34**
Add: PMC	7.53	59.01	230.50	178.34	47.68	523.07
Total Project Cost including PMC	**47.41**	**571.61**	**3,085.37**	**590.89**	**152.10**	**4,447.42**
Add: Financing Allowance / IDC	111.89	258.61	207.61	34.79	4.90	617.80
Total Aero CAPEX including PMC and FA / IDC	**159.30**	**830.22**	**3,292.99**	**625.69**	**157.00**	**5065.20**

7.2.4. The aforementioned Aeronautical Capital Addition projects submitted by the AO for CCSIA, Lucknow for the Third Control Period have been divided into the following categories:

A. Capital Addition projects initiated by AAI in the Pre-COD Period and mandated to be executed by the Airport Operator as per the terms of the Concession Agreement and
B. New Capital Expenditure projected by the Airport Operator for the Third Control Period.

Further, the two main categories have been sub-categorised under the following sub-heads as applicable, pertaining to the individual projects:

i. Runways, Taxiway & Apron
ii. Terminal Building
iii. Green Initiatives (Solar PV, etc)
iv. Other / Additional Services (Cargo, Fuel farm etc)
v. Security equipment
vi. Plant & Machinery
vii. Roads
viii. Boundary wall
ix. Information Technology
x. External services (drainage)
xi. Environment Projects (rainwater harvesting, etc) and
xii. Other Associated Works

7.2.5. Capital projects mentioned in 'A' above consist of projects initiated by AAI during the Pre-COD period and subsequently handed over to the Airport Operator as part of the Concession Agreement, and mentioned in Schedules T and U of the Concession Agreement. The aforementioned Schedules provide a list of works proposed by AAI in execution stage and / or planning stage and also the Airport Operator's obligation to complete the works proposed by AAI.

7.2.6. Clause 6.4.5 of the Concession Agreement relating to the Airport Operator's obligation regarding CWIP handed over by AAI as on COD and as set forth in Schedule T, has been provided in Para17.3.10 of Annexure 3 under Chapter 17 of this Consultation Paper.

7.2.7. Clause 4.1.3. (h) of the Concession Agreement relating to the Airport Operator's obligation regarding Conditions Precedent required to be satisfied within 180 days of the agreement relating to works proposed by AAI and as set forth in Schedule U, has been provided in Para 17.3.11 of Annexure 3 under Chapter 17 of this Consultation Paper.

7.3. Authority's examination of Capital Expenditure (CAPEX) for the Third Control Period

7.3.1. The Authority has analysed the Aeronautical Capital expenditure proposed for the Third Control Period in the sequence of Category A (CWIP projects) followed by Category B (New Capex projects) for evaluation.

Further, the Authority has observed that, out of total Aeronautical CAPEX submitted by AO as on June 23, 2022, 75% pertains to CWIP projects taken over from AAI and the balance 25% pertains to the new CAPEX proposed by the AO for the Third Control Period. While analysing the MYTP of CCSIA regarding Capital Expenditure for the Third Control Period, the Authority has taken into consideration the traffic as per Table 57, which has been rationalized based on various factors including the impact of COVID-19 pandemic and has appropriately rationalized CAPEX which has been explained in the following paragraphs.

7.3.2. The capital additions stated in A and B above have been explained project-wise in the same sequence in the table below. For the ease of reference, the project wise details of Aeronautical Capital Expenditure submitted by the Airport Operator in its MYTP on January 10, 2022 has been shown in Annexure 5 – Project wise details of Capital expenditure submitted by the AO in the revised MYTP as on January 10, 2022 under Chapter 17 and the revised CAPEX schedule submitted on June 23, 2022 (with subsequent revisions and re-grouping of some CAPEX amounting ₹ 5,065.20 Crores) is shown in the table below:

Table 60: Project wise revised Capital Expenditure submitted by the Airport Operator on June 23, 2022 (with subsequent revisions) for the Third Control Period

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA) / IDC	Total CAPEX (incl. FA)
A.	**Projects initiated in Pre-COD Period and mandated to be executed in Third Control Period**				
A1.	**Runways, Taxiway & Aprons**				
	Apron Work: Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways	2021-22	11.38	9.38	20.76
		2022-23	9.74	0.28	10.02
	Apron Work: Providing of CAT-III B Lighting	2022-23	3.90	0.11	4.01
	Apron work: Augmentation of Power Supply	2022-23	5.15	0.15	5.30
	Total – Runways, Taxiways & Apron		**30.17**	**9.93**	**40.10**
A2.	**Terminal Building**				
	Construction of New Integrated Terminal Building T3	2023-24	2,153.96	462.74	2,870.08
		2024-25	253.38		
	Total – Terminal Building T3		**2,407.34**	**462.74**	**2,870.08**
A3.	**Green Initiatives**				
	Solar PV 3 MW solar plant	2024-25	19.92	-	19.92
	Total – Green Initiatives		**19.92**	**-**	**19.92**
A4.	**Other Services**				
	Interim Cargo facility	2022-23	3.40	-	3.40
		2023-24	0.82	0.13	0.95
	Total – Other Services		**4.22**	**0.13**	**4.35**
A5.	**Plant and Machinery**				
	Shifting of CCR System, Provision of 33 KV Service Connection, Provision of HT Panel at Terminal-2 Substation	2022-23	29.90	0.93	30.83
	Total – Plant and Machinery		**29.90**	**0.93**	**30.83**
A6.	**External Services**				
	Construction of Drain in Operational & Non-Operational area i/c survey work at CCSI	2022-23	100.00	2.90	102.90
	Total – External Services		**100.00**	**2.90**	**102.90**
A7.	**Other Associated Works**				
	Construction of New Sub Fire Station (CAT-IV) and (Cat IX),	2021-22	4.60	9.43	14.03

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA) / IDC	Total CAPEX (incl. FA)
	Emergency Medical Centre and E&M workshop	2022-23	17.88	30.42	48.30
	Elevated Road associated with T3	2023-24	279.84	18.38	298.22
	Expansion of existing isolation bay: Civil works	2023-24	16.75	1.10	17.85
	Construction of Property wall around AAI land at C.C.S.I. Airport, Lucknow (Deposit work to UPRNNL)	2023-24	4.77	0.31	5.08
	Total – Other Associated Works		**323.85**	**59.64**	**383.49**
Total Aero CAPEX initiated in the Pre-COD Period and mandated to be executed in the Third Control Period (A)			**2,915.41**	**536.28**	**3,451.69**
B. New Capital expenditure projected for the Third Control Period					
B1.	**Runways, Taxiway & Aprons**				
	Apron and Taxiway related to T3, Cargo, West Side and East Side	2022-23	180.77	3.62	184.394
		2024-25	40.93	2.46	43.39
	Development of RESA for Runway 09	2022-23	10.90	0.32	11.32
	GSE Staging – East & West side (Rigid Pavement)	2024-25	20.45	0.65	21.10
	Runway Overlay	2025-26	40.00	0.00	40.00
	CBR Value of Basic Strip	2022-23	25.00	0.73	25.73
		2023-24	10.00	3.57	13.57
	Miscellaneous works	2021-22	0.55	0.45	1.00
		2022-23	6.56	0.19	6.75
		2024-25	1.53	0.05	1.58
	Total – Runways, Taxiways & Apron		**336.69**	**12.03**	**348.72**
B2.	**Terminal Building**				
	Various terminal improvement works	2021-22	0.95	-	0.95
	Total – Terminal Building		**0.95**	**-**	**0.95**
B3.	**Other Services (Cargo facility and Fuel farm)**				
	New Integrated Cargo facility	2023-24	38.38	2.45	40.84
	Equipment for New Integrated Cargo Facility	2023-24	4.49	0.14	4.63
	Purchase of assets of existing Oil Marketing Companies (OMCs)	2022-23	24.50	-	24.50
	Building of new assets for Open Access Fuel Facility operations	2023-24	193.00	12.35	205.35
	Total – Other Services		**260.37**	**14.94**	**275.31**
B4.	**Security Equipment**				
	Crash Fire Tender	2023-24	17.08	-	17.08
		2024-25	8.54	-	8.54
	PIDS with CCTV Camera	2024-25	19.92		

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA) / IDC	Total CAPEX (incl. FA)
	BDDS Equipment’s (Set)	2022-23	8.54	0.10	8.64
	Body Scanner	2023-24	11.38	0.15	11.54
		2024-25	7.08	-	17.08
	Miscellaneous equipment	2021-22	3.33	-	-
		2022-23	7.63	0.08	7.71
		2023-24	2.81	0.04	2.84
		2024-25	0.72	-	-
		2025-26	1.29	-	-
	Total – Security Equipment		**98.31**	**0.37**	**98.68**
B5.	**Plant and Machinery**				
	Runway sweeping machine	2022-23	4.74	0.15	4.89
	Disabled aircraft removal kit.	2022-23	9.49	0.30	9.78
	Rubber removal Machine	2022-23	6.17	0.19	6.36
	Widening of Perimeter Road and Emergency access road parallel to runway	2022-23	7.59	0.24	7.83
		2023-24	10.53	0.11	10.64
	Cable duct for AGL cables	2022-23	1.90	0.06	1.96
		2023-24	4.74	0.14	4.88
	Service corridor between road and Boundary wall	2022-23	0.95	0.03	0.98
		2023-24	7.59	0.22	7.81
	LED type AGL lights	2022-23	1.90	0.06	1.96
		2023-24	1.90	0.06	1.96
		2024-25	1.90	0.11	2.01
		2025-26	1.90	0.40	2.30
	Taken out the all boxes from basic strips	2022-23	2.85	0.09	2.93
		2023-24	1.90	0.06	1.96
	Turning pad for runway 27 & 09	2022-23	3.79	0.12	3.91
		2023-24	17.08	0.50	17.58
	Miscellaneous items	2021-22	8.83	3.35	12.18
		2022-23	9.07	0.28	9.35
		2023-24	4.50	0.15	4.65
		2024-25	4.41	0.31	4.72
		2025-26	0.47	0.10	0.57
	Total – Plant & Machinery		**114.18**	**6.93**	**121.12**
B6.	**Green Initiatives**				
	Conversion of airport owned conventional vehicles operated on fossil fuels to Electric vehicles, Conversion of CO2 type fire extinguishers to lower GWP, Conversion of High Global Warming Potential (GWP) refrigerant to lower GWP refrigerant 29 R22 refrigerants	2023-24	2.80	0.18	2.98

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA) / IDC	Total CAPEX (incl. FA)
	replaced with lower GWP refrigerant and Infrastructure for Electric vehicle charging stations				
	Total Green Initiatives		**2.80**	**0.18**	**2.98**
B7.	**Roads**				
	Transportation Management	2023-24	17.88	1.36	19.24
	Roads	2021-22	-	1.28	1.28
		2022-23	23.79	4.41	28.20
		2023-24	33.91	2.59	36.49
		2024-25	-	3.10	3.10
		2025-26	47.65	1.76	49.41
	Total – Roads		**123.22**	**14.51**	**137.73**
B8.	**Boundary walls**				
	Demolition of existing boundary wall	2021-22	-	0.12	0.12
		2022-23	0.57	0.17	0.74
		2024-25	0.06	0.91	0.97
	Airport Boundary Wall	2021-22	-	0.76	0.76
		2022-23	3.61	1.07	4.68
	Landside Boundary Wall / Landside Airport Compound Wall	2023-24	5.57	1.13	6.70
		2025-26	3.04	0.73	3.77
	Total – Boundary walls		**12.84**	**4.89**	**17.74**
B9.	**Information Technology (IT)**				
	Upgradation of IT system	2022-23	1.52	-	1.52
		2023-24	2.28	-	2.28
	Other IT works	2021-22	3.84	-	3.84
	Total – Information Technology		**7.64**	**-**	**7.64**
B10.	**Environment Projects**				
	Development Of Rain Water Harvesting Pond	2024-25	4.17	0.52	4.69
	Corporate Environment Responsibility	2021-22	1.73	0.65	2.38
		2022-23	1.73	0.05	1.78
		2023-24	1.73	0.05	1.78
		2024-25	1.58	0.09	1.67
	Triturator	2024-25	4.90	0.29	5.19
	Solid waste management facility	2023-24	0.64	-	0.64
		2024-25	1.33	-	1.33
	Total – Environment Projects		**17.81**	**1.65**	**19.46**
B11.	**Other Associated Works**				
	New Airside Gates – 2 Nos	2022-23	1.65	2.80	4.45

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA) / IDC	Total CAPEX (incl. FA)
		2024-25	1.65	0.21	1.85
	Miscellaneous works	2021-22	1.27	2.61	3.88
		2023-24	26.46	1.73	28.19
		2024-25	1.56	0.19	1.75
		2025-26	1.54	0.60	2.14
	Total – Other Associated Works		**34.14**	**8.14**	**42.26**
Total Project Cost of New Capital Expenditure Projects (B)			**1,008.94**	**64.27**	**1,073.21**
Total Project Cost of AAI hand-over and New Capital Expenditure Projects (C = A + B)			**3,924.34**	**600.55**	**4,524.89**
Add: Cost towards Proportionate Technical Services like PMC & Design, Preliminaries, Insurances / Statutory Approvals, Contingencies, Pre-Operatives, etc claimed on the both Category A and Category B Projects (D)			523.07	17.25	540.32
GRAND TOTAL (C + D)			**4,447.40**	**617.80**	**5,065.20**

7.3.3. The Authority notes that the Airport Operator conducted its first Airport User Consultation Committee (AUCC) Meeting on July 19, 2021 with all the stakeholders and discussed about Capital Expenditure proposed to be undertaken during the Third Control Period of FY 2021-22 to FY 2025- 26. The meeting was attended by various airport stakeholders such as International Air Traffic Association (IATA), Federation of Indian Airlines (FIA), Indigo, SpiceJet, Go Air, Vistara and other airlines, AAI, CISF, BCAS, Associated Chambers of Commerce and Industry (ASSOCHAM), Travel Agent Association of India (TAAI), UPCAD and Customs. As per the 'minutes' of the meeting, the Authority observed that the Airport Operator had broadly discussed the following points with the stakeholders:

i. History of CCSIA, its catchment area, attractiveness, existing and potential facilities at the airport.

ii. Traffic history at CCSIA, its evolution, short-term and long-term traffic forecast.

iii. Detailed presentation on the projects planned by the Airport Operator during the Third Control Period with reference to the existing challenges at CCSIA pertaining to its location, topography, availability of land, etc. and with specific emphasis on key issues relating to all areas, i.e., landside, terminal and airside.

iv. Key objectives of the Master plan for the Airport covering 50 years of the Concession period and planned to be executed in five (5) phases with Phase 1 and 2 being undertaken in the Third Control period.

The Authority also noted that various observations were made by some of the stakeholders relating to the following aspects:

i. TAAI suggested improving passenger convenience, safety and security specifically relating to religious travellers on transit and specially challenged passengers, such as sleeping pods at the airport, hotel facility attached to the airport, wider corridor for rental car customers, kiosk for travellers with translation machines for passengers visiting from Southeast Asia, creating separate desk / space for TAAI, etc.

ii. IATA requested the AO to defer all new CAPEX to the next Control Period and specifically consider phasing-out of construction of new Terminal T3 mainly on account of the adverse impact of the Pandemic suffered by all the airlines. IATA sought justification for certain investments planned by the AO to be made based on proportion of Code E aircrafts and suggested that the AO should negotiate the cost of all Capex projects planned with all the respective suppliers. Further, IATA recommended the adoption of normative costing approach for all major CAPEX projects and also enquired about the future of Terminal T2 after commissioning of new T3, etc.

iii. Fly Dubai raised concerns regarding issues relating to rental car services and suggested creation of taxi booking service on the AO's website

iv. UPCAD raised the issue of relocation of hangar

7.3.4. The Authority's examination of the Capital Expenditure projected for the Third Control Period has been explained in detail in the ensuing paragraphs:

A. Projects initiated during Pre-COD Period and mandated to be executed in the Third Control Period.

The Authority notes that there are capital projects initiated by AAI during the Pre-COD period (*refer Table 60 Category 'A' Projects*) and subsequently handed over to the Airport Operator as part of the Concession Agreement (Schedule T and U of the Concession Agreement). Project-wise capital additions under Category 'A', have been explained as follows:

A1: Runway, Taxiway and Apron –

a) Apron Work: Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways.

b) Apron Work: Providing of CAT-III B Lighting

c) Apron work: Augmentation of Power Supply

a) **Apron Work: Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways** – The Authority notes that this work was awarded by AAI for an amount of ₹ 40.90 Crores. Further, the Authority observes that the Apron work had been partially done but the Taxiway work had not been taken up due to various reasons such as non-shifting of fire station. Subsequently, the work was foreclosed and the final payment for the work as per agreement is ₹ 21.12 Crores. The Taxiway work and balance Apron works have already been included by the AO in other proposed pavement works. Further the AO has submitted vide e-mail dated January 26, 2023 that they have not capitalized any amount relating to this project in the FY 2021-22. Hence, the Authority proposes to allow the CAPEX of ₹ 21.12 Crores towards this project in the next tariff year, i.e., FY 2022-23.

b) **Apron Work: Providing of CAT-III B Lighting-** The Authority notes that this work is mandated under Schedule T of the Concession Agreement, for which the cost has been estimated as ₹ 3.90 Crores. Further based on the site visit conducted through its Independent Consultant during July 27 to July 29, 2022, the Authority observes that the CAT III B lighting is essential, considering night operations and that the pavement works are almost completed. The Authority proposes to consider this work for capitalization in FY 2022-23 of the Third Control Period.

c) **Apron work: Augmentation of Power Supply** – The Authority notes that this work is mandated under the schedule T of the Concession Agreement for which the cost has been estimated as ₹ 5.15 Crores. Further, the Authority observes that as far as new Apron Masts and Ground lights are concerned, the power supply from the State is required to be augmented. Therefore, augmentation of power supply work is necessitated. The Authority proposes to consider this work for capitalization in FY 2022-23 of the Third Control Period.

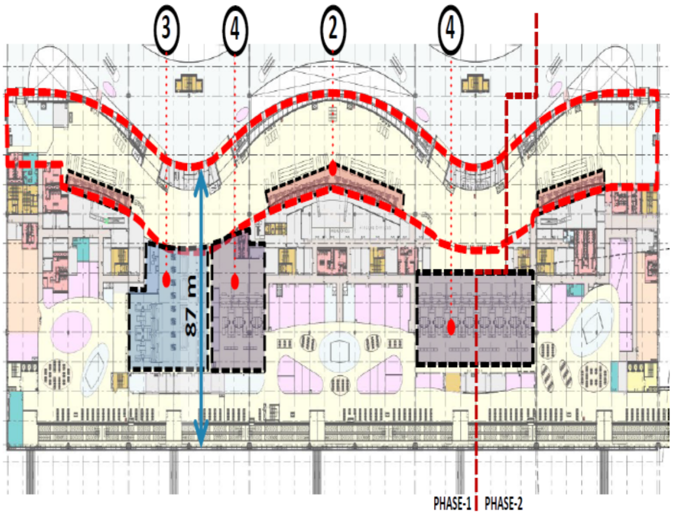
A2: Terminal Building – Construction of New Integrated Terminal Building T3:

i. Project Background:

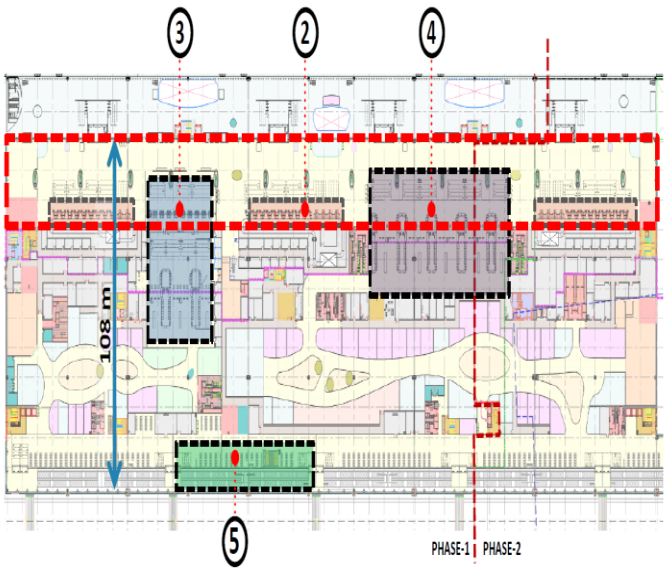
- CCSIA presently has two operating passenger terminals; T1 is international terminal and T2 is domestic terminal. Terminal T1 is the older terminal, which was commissioned in 1986 for domestic operations, but was later converted into international terminal. Terminal T2 was commissioned in 2012 for integrated operations. However, due to capacity constraints, Terminal 1 was re-commissioned for international operations with effect from December 2012, while domestic operations were retained in T2. Both the existing terminals at CCSIA have been operating at capacity, therefore AAI, initiated development of new Integrated Terminal – T3 in September 2018 with planned capacity of 10 MPPA and with the intention of temporarily retaining Terminal T2 in operation, in additional to new Terminal T3.
- The Authority notes that the AO had carried out an independent study on traffic forecast through an agency, CAPA, which had projected traffic growth of 10 MPPA by FY 2026-27 and 13 MPPA by FY 2029-30. Based on the same, the AO had planned to increase the capacity of T3 to 13 MPPA in order to ensure availability of the capacity ahead of the traffic demand. Accordingly, after COD the AO has updated/modified the terminal layout and its landside to accommodate domestic and international operations in a single integrated Terminal T3, thus avoiding the need to retain passenger operations at Terminal T2.
- Some of the salient features of the design change/ modifications undertaken by the AO, to increase the capacity of the Terminal Building include:
    - Straightening the Check-in Hall.
    - Realigning and reconfiguring the check-in counters to accommodate the Self Baggage Drop
    - Enhancement of security lanes by bringing Automated Tray Retrieval System (ATRS) instead of conventional security check lanes
    - Swing provision in contact gates to meet peak hour demand
    - Enhancement in Immigration
    - Provision of Domestic transfers
    - Covering scope gaps in the Baggage Handling System (BHS)
    - Other layout improvements for better functionality and improving passenger experience such as improvement in staff entry and exit flow routes in Security Hold Area (SHA) and non-SHA areas, Addition of freight elevators, waste chutes and improvement in waste outflows and associated functions etc.

The AO's modified plan for the new Terminal Building T3 is shown below:

Departures Level – Current Layout

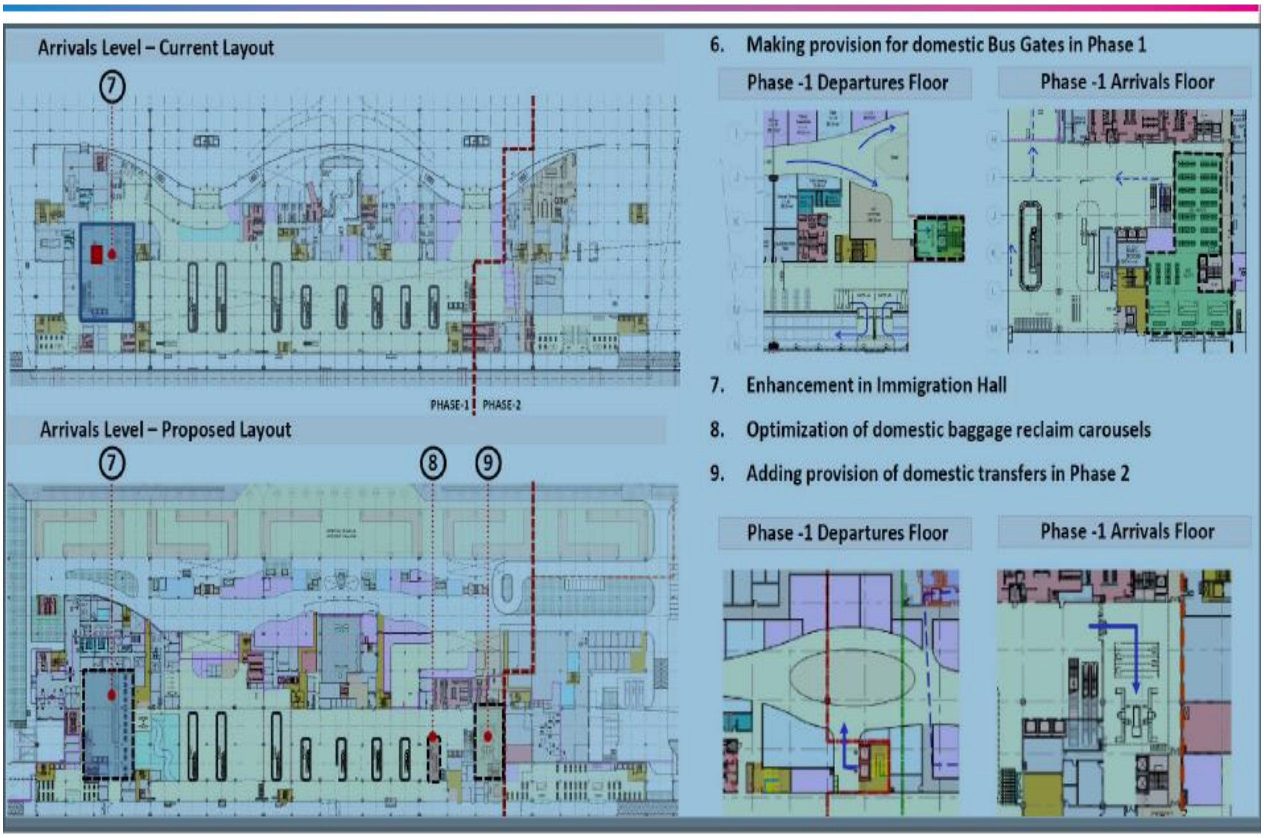


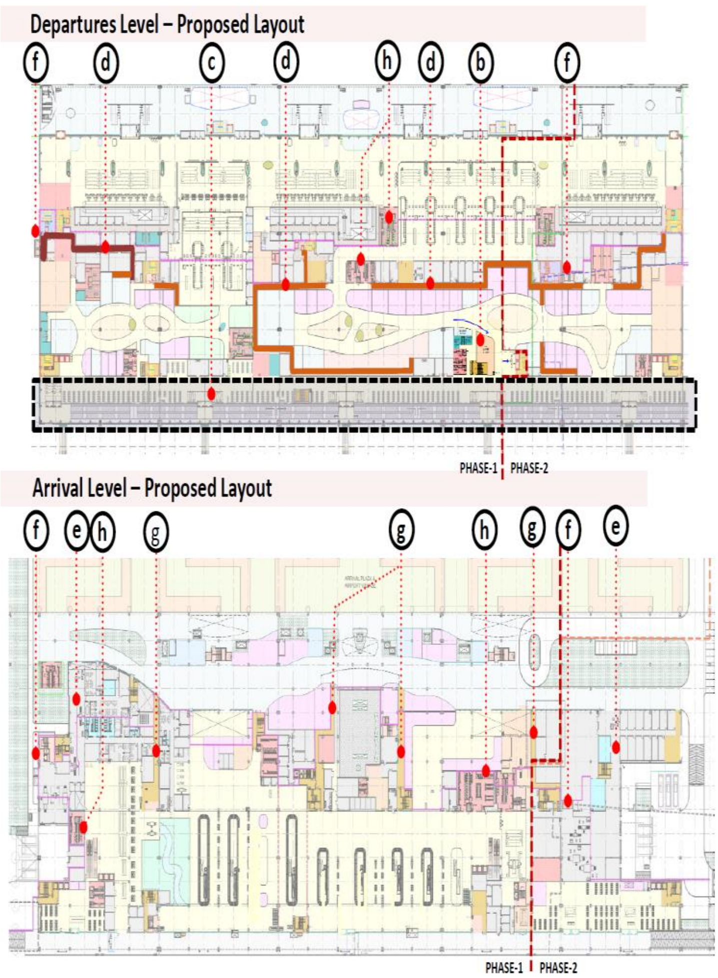
Departures Level – Proposed Layout



<u>As per ALIAL, the following modifications are required :</u>

1. Enhancement of Terminal 3 capacity from 10 MPPA to approx. 13 MPPA and provide unified flow
2. Straightening Check-in hall, Realigning and reconfiguring Check-in counters to accommodate Self-bag-drops (SBDs
3. Reconfiguration of the Emigration & International Security check. Replacing conventional lanes by ATRS at both Domestic and International Securing Check
4. Relocating and combining all Domestic Security Check lanes.
5. Swing provision in contact gates to meet peak hour demand





10. Other layout improvements for better functionality and flows:

a. Unidirectional passenger flows for better wayfinding

b. Provision of domestic CIP lounge in phase 1

c. Gate area seating, boarding and circulation improvement.

d. Provision of Service corridors for SHA retail and F&B spaces to segregate passenger and goods movement.

e. Improvement in staff entry, exit and flow routes in SHA and non-SHA areas.

f. Addition of freight elevators, waste chutes and improvement in Goods in Waste out flows and associated functionalities.

g. Improvement in egress strategy

h. Toilet sizing and adjacencies

i. Relocation / addition of Passenger and Staff amenities like Baby care rooms, Prayer rooms, Medical facilities, etc.

- The Authority notes that the construction of new Integrated Terminal T3 has been projected, by the AO to be completed in two phases. Phase 1 with a capacity of 8 MPPA, is planned to be commissioned in FY 2023-24. Upon such commissioning, the AO has planned to shift the operations of both T1 and T2 to the New Integrated Terminal T3, which has both operational and logistic advantage for the airlines as well as the Airport Operator. Consequently, Terminal T1 is planned to be decommissioned and dismantled in order to pave the way for taking-up the expansion of T3 in Phase 2.
- The Authority observes that the capacity addition planned during Phase 2 of this project is 5 MPPA, which is planned for commissioning in FY2024-25, after which the total capacity of T3 will be 13 MPPA. The AO plans to use T2 for Administrative and Operational purposes. It is also planned to be utilized for Haj operations and for the purpose of General Aviation (GA) by AO.
- Further the Authority notes that, Regional Connectivity Scheme (RCS) has been taken up by the Uttar Pradesh Government on priority and almost 15 RCS airports are currently under construction in UP. Similarly, 8 RCS airports/heliports are under construction in Uttarakhand and a few more RCS airports in the neighbouring states of Madhya Pradesh and Bihar. Considering that so many small airports are being constructed, it is expected that small airline operators also will be in action. Since Lucknow is a capital city and important for religious tourism, it is expected that CCSIA will become a hub for such RCS operations. Hence, the Authority is of the view that T2 can be used by the AO, in order to enable such operations and accommodate a number of small airlines.

ii. Sanctioned costs and Execution of the awarded work by AAI:

- The Authority notes that this project was conceived by AAI and the sanctioned costs for the same was ₹ 1,383 Crores granted on June 5, 2018. The project is part of CWIP, taken over by the Airport Operator (AO), from AAI under Schedule T of the Concession Agreement entered into between AAI and the AO and thus it is binding on the AO to execute it as part of the agreed terms of the Concession Agreement.
- The sanctioned costs of AAI include construction of the New Terminal Building with the built-up area of 1,50,805.04 Sq.m, which includes 20,656.57 Sq.m of basement and 3,639 Sq.m of basement mezzanine. Further, the sanctioned costs include Civil, Electrical, Plumbing, Fire-fighting, HVAC, BMS, Superior finishes, Interior works, Art work, Substation Equipment, Elevated approach roads, Elevators, Escalators, Travelators, Furniture, Counters, CUPP, CUTE, IT system, Airport System works and provision of renewable energy. It also includes ₹ 74.50 Crores for PMC and ₹ 79.84 Crores for one year cost escalation.
- AAI had awarded EPC contract for major package in September 2018 to the contractor M/s. Nagarjuna Construction Company Limited (NCC) for ₹ 1,048 Crores, as against the sanctioned costs of ₹ 1,073 Crores. Further, Baggage Handling System (BHS) and Security Equipment were awarded to M/s Vanderlande at the cost of ₹ 104.40 Crores (excluding the GST and Customs Duty) as against the Sanctioned cost of ₹ 44 Crores. The Authority notes that this had resulted in an increase in the cost of work awarded by approximately ₹ 60 Crores i.e., 136% over sanctioned costs.
- The Authority observes that AAI had appointed M/s. Egis as PMC for this project, at a cost of 6.9% of the total project cost .

- No other packages/works, out of the sanctioned scope of work were awarded by AAI till COD.
- The Authority notes that due to COVID-19 pandemic and other reasons, the project got delayed and the overall physical progress of the awarded works was only 30% as on COD.

iii. Execution of the awarded work by the AO:

- The Authority notes that the AO has issued a revised BoQ to M/s NCC for ₹ 2,030.50 Crores, which is proposed to be completed in two phases within this Control Period (Phase 1 by September 2023 and Phase 2 by December 2024). The summary of revised cost amounting to ₹ 2,030.50 Crores awarded to M/S NCC by the AO is shown below:

Table 61: Cost summary of Contract awarded by AO to M/s. NCC for T3 project

(₹ Crores)

S. No.	Particulars	T3	Elevated Road	At Grade Road	Total
1	Amount for Executed quantities with Agreement rates	250.63	74.42	35.08	360.13
2	Amount for quantities up to 130% Deviation, with revised rates.	749.42	44.57	56.07	850.06
3	Amount for quantities above 130% Deviation, with revised rates	156.00	8.44	21.04	185.48
4	Amount for Extra works	450.89	33.31	21.63	505.83
	Total Cost – Civil and Mechanical works				**1,901.50**
	Add: Service yard & STP				115.00
	Add: Driver's canteen and other item				14.00
	Total Contract Cost				**2,030.50**

- As submitted by the AO, the cost of the contract with the vendor M/s NCC has increased due to the following reasons:
  - Increase in quantities:
    - The tender was floated by AAI on the basis of schematic design and the actual quantities were based on Good for Construction (GFC) drawings, which were higher than the quantities mentioned in the tender and
    - AAI had awarded in-principle approval for a number of extra items, deviation and substitute items.
  - Increase in the cost of materials and manpower due to COVID-19 pandemic.
  - Increase in costs due to modification/ change in the design of T3.
- The Authority notes that at the end of FY 2021-22, the physical progress of the project was only 33.90% and already the quantity of many items have increased. Further, the Authority notes that at the point where the physical progress of the awarded work had reached approx. one third (33%), the vendor had already been paid ₹ 554 Crores including Secured Advance which is almost half of the awarded amount, thereby indicating considerable deviation on the awarded cost as well as escalation due to time overrun. In addition to the same, the Authority is cognizant of the fact that, the inflation is unprecedented due to the adverse impact of COVID-19 pandemic and other internal/external factors.

- The Authority notes that the AO had changed the design and scope of the project work for smoothening the passenger flow and introduced new technology using IT and modern equipment to hasten the processes thereby increasing the passenger capacity from 10 MPPA to 13 MPPA i.e., an increase of 30% in the capacity without corresponding increase in the floor area of the Terminal Building.
- Further, the Authority observes that the AO has submitted a revised total cost of T3 amounting to ₹ 3,231.00 Crores including the cost of PMC, Contingency and Pre-operative. The AO has provided a detailed cost breakup along with explanation and the same has been detailed in Table 62. Furthermore, a cost comparison of the same with respect to the original sanctioned cost of AAI vis-à-vis the cost awarded by AAI package is shown in Table 63.

Table 62: Detailed break-up of cost of Terminal Building project as submitted by AO

(₹ in Crores)

Particulars	Total	AO's remarks / explanation
NCC Limited Contract		
Civil Works	1,687.00	SoW as per agreement executed by AAI with NCC in Sept 2018 and novated to AO on COD. Subsequently AO revised the BoQ with NCC.
E&M Works	306.00	- Do -
IT works	41.00	₹ 41 Crores as part of NCC Contract
Others	14.00	As per contract
Sub-total NCC (A)	**2,048.00**	
Airport Systems		
BHS	108.00	Agreement issued by AAI to Vanderlande for BHS & Security Equipment. However, AO revised the contract whereby package relating to Security Equipment is removed from the scope and the final contracted value only for BHS is USD 3.3 million + ₹ 54.29 Crores + Custom Duty + 18% GST (Overall ₹108 Crores).
IT System	108.00	IT works not in NCC contract
PBB	54.00	Agreement issued by AO to CIMC for 13 PBB supply for USD 5.8 million and installation agreement to Millennium Aero for ₹ 6.6 Crores
Security Equipment's	50.00	As per BoQ from STUP consultant BHS security equipment's such as HBS Security Screening inline Level 1 CT Machines, SITCF of CT-EDS, Matrix Server, Level 2,3 &4 analyst workstation with UPS, LAN with switches patch panel etc.
Passenger Screening Equipment's (Standalone XRAYS+ ATRS+DFMD+ETD+HHMD)	49.00	As per BoQ from STUP consultant 16 Cabin Baggage X-Ray, 5 Checked in Baggage X-Ray, 2 Goods Screening X-Ray, 9 Explosive Trace Detector, 32 DFMD, 64 HHMD, 9 ATRS, 52 Infeed Outfeed roller
GPU & PCA	42.00	Lump Sum Estimate 13 GPU and 13 PCA
SELF BAG DROP	25.00	21 Self Bag Drop (Approx 1 Bag drop is ₹ 1.3 Crore)
HBS Security Screening Standalone Screening Equipment	17.00	As per BoQ from STUP consultant 1 nos OOG / SOOG X-Ray machine at Departure with infeed and outfeed rollers 1 ls Threat Containment Vessel 3 nos Custom inline X-Ray with local screening workstations 2 nos Level 3 Standalone X-Ray machine with infeed and outfeed rollers, local screeners workstation 1000 nos Baggage Tubs. GST extra
VDGS	14.00	As per BoQ from STUP consultant
Operation Equipment's	11.00	Lump Sum Estimate Like Façade cleaning equipment ₹ 1 Crore, Queue managers

Particulars	Total	AO's remarks / explanation
Sub-total Airport Systems (B)	**478.00**	
Other Airport Requirement		
Artwork	115.00	As per Quotations received from interested parties INCUBIS and XXL COLLECTIVE CAPEX.
Furniture	35.00	Lump Sum Estimate. Less than 1.5% of the overall project cost
Signages	24.00	Lump sum Estimate
Solar PV	21.00	3 MW solar plant @ ₹7 Crores per MW
Landscaping	25.00	Lump sum estimate
Airside Toilets and Airside Gate House	8.00	Lump sum estimate
Demolition of T1 Building	5.00	Lump sum estimate
Trolly	5.00	Lump sum estimates for 1,200 trolleys
Sub-total Others (C)	**238.00**	
Cost towards change in design, specifications, foreign exchange variation, commodity hike, etc (D)	60.00	Lump sum estimate
ORAT		
ORAT	25.00	Key components of the ORAT program are :- **Operational Readiness –** Plan, detail and develop all operational documentation such as SOPs, Manuals and SLA (Service Level Agreements) with all internal and external stakeholders **Familiarization & Training** – Plan, develop and execute familiarization and training sessions for all stakeholders to operate in Terminal 3 with new systems. **Trial Program** – Plan, develop and execute a Trial Program to test and trial all facilities and procedures prior to the opening. **Airport Transfer** –planning and physical relocation of airlines, authorities and all other stakeholders.
Housekeeping during ORAT	5.00	Lump sum estimate
Sub-total ORAT I	30.00	
Add: PMC	138.00	Awarded by AAI @ 6.90% of the project cost.
Add: Contingency, Pre-operatives, Preliminaries and Insurance.	239.00	
Grand Total	**3,231.00**	

Note: Though the amount of work under M/S NCC is shown as ₹ 2,048 Crores in the submission of AO as per the above Table, the actual revised cost as per revised BOQ to M/S NCC is only ₹ 2,030.50 Crores (refer Table 61).

Table 63: Cost Comparison of T3 sanctioned originally vs Projected by the AO

(₹ in Crores)

Particulars	Sanctioned costs of AAI	Awarded by AAI	Projected by AO	Remarks
Civil, E&M and other works by M/s NCC	1,073.00	1,048.00	2,048.00	AO has revised the rates due to time overrun. Quantity deviation and extra items are other reasons for increase.
BHS	44.00	104.40	158.00	It includes cost of BHS and Security Equipment, but excludes Customs Duty

Particulars	Sanctioned costs of AAI	Awarded by AAI	Projected by AO	Remarks
				& GST.
PBB, VDGS, Passenger Screen, HBS Security, Operation Equipment	43.00	--	145.00	Many of the equipment which are required for modern terminal are not in the original sanction. Some of the works awarded.
IT System	12.00	--	108.00	In modern Terminal Building (TB) the component of IT is 3-5% of project cost.
GPU & PCA	--	--	42.00	Ground Handling purpose.
Self-Bag Drop	--	--	25.00	Available in all modern TB
Artwork	8.90	--	115.00	Quotations collected with detailed scheme.
Furniture	6.50	--	35.00	Lumpsum.
Signages	--	--	24.00	Lumpsum.
Solar PV	3.50	--	21.00	AAI proposed 1 MW and AO proposed 3 MW.
Landscaping	--	--	25.00	Lumpsum.
Airside Toilets and Gate House, Demolition of T1, Trollies	--	--	18.00	Lumpsum.
Modification in Existing Terminal	3.40	--	--	AO has taken it as a separate work.
Contingency	33.93	--	239.00	It includes Contingency, Pre-operatives, Preliminaries and Insurance.
PMC charges	74.50	72.30	138.00	Awarded by AAI @ 6.90% of project cost.
Cost Escalation	79.84	--	--	
ORAT& House Keeping	--	--	30.00	
Design Change, Specs, Foreign Exchange variation	--	--	60.00	
Total	**1,383.00**	**1,224.70**	**3,231.00**	

- Based on all the aforementioned factors, the Authority is of the view that the cost of the present ongoing work has immensely increased i.e., about 134% over the sanctioned cost and 164% over the awarded cost. Hence, the Authority proposes to derive the cost of T3 project based on the Normative Approach to ensure that the overall cost is reasonable and justifiable.

iv. Analysis of Phase I and Phase II costs

- The Authority has drawn inference from Schedule B of the Concession Agreement and has analysed the CAPEX proposed by the AO for Phase I and II of New Terminal T3, keeping in view the need to maintain a balanced approach between the investors and the Airport Users. It is pertinent to note here that, Schedule B (para 2 relating to 'Description of Terminal Building') clearly mentions about modular and phase-wise development of Terminal Building thereby allowing flexibility and ease of expansion. The relevant portion of the Concession Agreement relating to Schedule B para 2 is reproduced below:

  2. Description of Terminal Building

The guiding principles for planning and design of the Terminal Building are provided below. The Concessionaire shall develop an integrated terminal building, which is efficiently planned, flexible for phase-wise development, sustainable and economical.

Flexibility

The organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion. The terminal processor should allow for phase-wise development of key functions such as baggage claim halls and processing areas.

- The Authority notes that AAI had conceived the idea of construction of new integrated Terminal T3 with a capacity of 10 MPPA to meet the growing capacity requirement as well as retaining T2 for continuing the operations based on such requirement. However, the AO has revised the plan with increased capacity of 13 MPPA in two phases (Phase I – 8 MPPA and Phase II – 5 MPPA), and both the phases are planned to be completed within the Third Control Period. Consequently, the AO has planned to decommission T1 and utilize T2 for administrative and operational purposes.
- The Authority notes that the construction of Phase I of the T3 project was temporarily suspended by the Contractor during the COVID-19 pandemic. Although the work had resumed in the beginning of the current Control Period, the Authority observes slackness in the pace of execution of work which is attributable to the delays on account of COVID-19 pandemic and the handing-over/ take-over of the Airport by AAI to the AO. Further, the Authority during its visit to the Airport in December 2022 noted that work orders for certain enabling works (such as CUTE, CUSS, Automated Baggage drop etc) have not been issued by the AO.

  In the background of the above facts, the Authority is of the view that the Phase I of the construction of T3 may most likely be completed by the end of the FY 2023-24. Even, if the Phase I of the project is completed by the end of FY 2023-24, the Authority feels that there are other enabling works which are necessary for the operational readiness such as Passenger processing system, AOCC, CUTE, CUSS, FIDS, In-line X-Ray screening, other IT related services that needs to be executed by the AO to make the airport available for the usage of the passengers. Considering these factors, the Authority proposes to consider capitalisation of the Phase I of this project in the first quarter of FY 2024-25.
- Further, the Authority notes that the Terminal T1 would be dismantled thereafter and all the service lines are required to be removed/ re-routed to pave way for commencing the Phase II of the construction of T3.
- The traffic forecasted at the end of the third control period is slightly more than 8 MPPA. The airport capacity after completion of Phase I of T3 including that of T2 will be 11.5 MPPA. The Authority is of the view that even in case of unprecedented growth, the overall capacity will be sufficient enough to meet the capacity requirements.
- Considering the various processes involved and all the related operational constraints, the Authority is of the view that, the completion of Phase II of this project in the current Control period is not feasible.

- In the background of the above factors, the Authority is of the view that Phase II (i.e., additional 5 MPPA capacity) can be commissioned by the AO only in FY 2026-27 i.e., during the next Control Period. However, if the Phase II of new Terminal T3 is completed and commissioned by the AO in the current Control Period, the same would be taken into consideration by the Authority at the time of true up of the Third Control Period, while determining tariff for the Fourth Control Period, subject to the efficiency and reasonableness of the costs incurred.
- With this approach, the Authority feels that the philosophy of AAI on construction of T3 project would be achieved and this is also in line with the views raised by IATA in the stakeholders meeting, which will be beneficial for both the passengers and the AO. Accordingly, the Authority has taken the view of considering the CAPEX costs of the construction of only Phase I of T3 in the current Control Period.

v. Determination of allowable project costs of T3 by the Authority

- The Normative cost approved by the Authority vide its Order No. 07 / 2016-17dated June 6, 2016 for Terminal Buildings is ₹ 65,000/- per Sq.m. The cost of following items of specification have been considered for analysis of the prescribed rate per Sq.m.- cost of terminal building, air conditioning, fire-fighting system, water supply, sanitary, substation equipment for power supply including stand by system, passenger facilities viz FIDS, Furniture, Signages and Security surveillance, airlines related services viz Check-in, CUTE, CUSS and Baggage Reconciliation System, In-line X ray screening, Standalone screening , BHS for arrival and departure, Escalators, Elevators, Travelators and PBB are included. However, the cost of Elevated and other roads connected with the Terminal Building is not part of the Normative rate and has been considered separately. The cost of other items, required for the Terminal Building, but which are not covered in the aforementioned list, will be derived separately and added to the overall cost of the project.
- In this respect, the Authority notes that it has considered a normative cost of ₹100,000 per Sq.m in some of the recent tariff orders, based on the superior specifications, processes and the architectural features of modern Terminal Buildings. Further, the Authority feels that as the work on new Terminal Building projected by the Airport Operator would be carried out over the first 4 FYs of the Third Control Period, it would be reasonable and justifiable to derive the project cost based on inflation-adjusted normative cost up to FY 2025-26 (using WPI inflation index) to address the time value of money.

Inflation-adjusted Normative cost of T3 project

- The Authority has derived the inflation adjusted normative rates for Terminal Building for the current Control Period by considering the rate of inflation as follows:
- FY 2021-22 –The Authority observes that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority feels that the inflation rate of FY 2021-22 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18, 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority has considered the average rate of

inflation of FY 2020-21 (1.29%)[2] and of FY 2021-22 (12.97%), which works out to 7.14%. The Authority has considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions.

- FY 2022-23 – 10.40% (considered as per 79th Round of Survey of Professional Forecasters on macroeconomic indicators) and
- FY 2023-24 to FY 2025-26 – 5.0% (considered as per 79th Round of Survey of Professional Forecasters on macroeconomic indicators). The inflation adjusted normative costs, thus derived is presented in the below table:

Table 64: Details of Inflation-adjusted Normative rates derived by the Authority

Particulars	Inflation adjusted normative rates (in ₹)
FY 2021-22	1,07,140.00
FY 2022-23	1,18,283.00
FY 2023-24	1,24,197.00
FY 2024-25	1,30,407.00
FY 2025-26	1,36,927.00

- The built-up area in Phase 1 of the Terminal Building is 1,17,674.69 sqm, and the additional area in Phase 2 is 33,529.88 as per drawings provided by the AO.
- Based on the above details, the normative cost of the Terminal Building derived by the Authority is as follows:

Phase 1 of the T3 project (Expected to be completed by end of FY 2023-24 and capitalised in the First Quarter of FY 2024-25):

- Inflation adjusted normative cost for FY 2023-24# (A) = ₹ 1,24,197.00 per sqm
- Add GST @ 6% (refer Note below) (B) = ₹ 7,452 per sqm
- Normative cost including GST (C = A+B) = ₹ 1,31,649.00 per sqm
- Cost of terminal building = 1,17,674.69 sqm (terminal area) x ₹ 1,31,649.00 (normative rate per sqm) = ₹ 1,549.18 Crores.

Normative costs including applicable taxes such as GST (Phase 1) = **₹ 1,549.18 Crores.**

 # The Authority has applied the Normative rate of FY 2023-24 for determining the Normative cost of the Phase I of T3 project, as the Authority feels that construction of the Phase I of the project (civil, electrical works etc) would be substantially completed by the end of FY 2023-24 (as stated in para 7.3.4 A2 (iv) above). The Authority requests the stakeholders to provide their comments on the same, which the Authority would examine and address at the time of finalisation of Tariff Order for CCSIA, Lucknow Airport.

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

[2] *Rate of inflation considered as per press release dated April 18, 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India.*

The above derived normative costs are exclusive of the cost of elevated and other roads, cost of PMC, Pre-operatives & other contingencies and the costs of certain additional airport requirements such as i) Art Work and ii) Landscaping costs.

Considering the above factors, the Authority proposes to include the cost of art work, landscaping and elevated and other roads associated with T3 to derive the allowable cost of Phase I of new Terminal Building T3, as shown below:

Table 65: Details of Normative cost of Phase I of T3 derived by the Authority

Particulars	Ref.	Amount (₹ Crores)
Normative costs of the Terminal Building derived by the Authority (Phase 1 of the Project)	A	1,549.18
Add: cost of Art Work (refer Note (i) below)	B	10.00
Add: Landscaping costs (refer Note (ii) below)	C	5.00
Add: Elevated and other roads associated with T3 (refer para A7 (b))	D	245.00
Total allowable costs of Terminal Building – T3 of CCSIA (Sum A:D)		**1,809.18**
Allowable Aeronautical costs – determined based on revised Terminal Building ratio of 90:10		**1,628.26**

- **Note:** The AO has claimed certain other costs such as Solar PV, demolition costs of T1, PMC and other soft costs, for which the Authority has given its views in the following paragraphs:

  i. **Artwork:** The Authority notes that the AO has projected ₹ 115 Crores for Artwork based on quotations obtained from the vendors. However, considering the amount spent at similar type of airports and also that, AAI had considered only ₹ 7.80 Crores for this work in their original estimate, the Authority is of the view that the amount claimed by AO is significantly high and needs to be rationalized. Hence, the Authority proposes to allow only ₹ 10 Crores for Artwork, at this stage

  ii. **Landscaping:** The AO has claimed ₹ 25 Crores towards landscaping without any detailed estimation. In this respect, the Authority observes that the Cityside is almost plain land and hence, there is no need for hard landscaping. Instead, soft landscaping can be carried out. Moreover, in the cost analysis of road, landscaping component is already available. Based on these factors, the Authority is of the view that ₹ 5 Crores will be reasonable and proposes to allow the same towards landscaping work.

  iii. **Solar PV:** The Authority proposes to consider the project under Green Initiative measures undertaken by the AO.

  iv. **Demolition of T1 building:** The Authority observes that at many airports the demolition of Terminal Building and other buildings are being carried out through auctioning, which results in earning of some revenue. Similarly, for CCSIA, the Authority feels that the demolition of Terminal Building, T1 may result in earning some revenue by the way of auction sale. Based on the same, the Authority proposes not to allow ₹ 5 Crores claimed by the AO.

  v. **PMC and other soft costs:** The Authority has given its detailed views under para 7.3.11 below.

- The Authority notes that the total cost estimate of the AO without including PMC and other soft costs is ₹ 2,836.50 Crores (considering the revised cost of awarded works to M/s. NCC i.e., ₹ 2,030.50 Crores, refer Table 62). Based on the same, the proportionate cost of Phase I, i.e., for 117,674.69 Sq.m out of total planned area of 151,204.57 Sq.m works out to ₹ 2,207.50 Crores which is much higher than the inflation-adjusted normative cost of ₹ 1,809.18 Crores derived by the Authority (refer Table 65).
- Considering the above, the Authority proposes to consider the inflation-adjusted normative cost of ₹ 1,809.18 Crores as allowable CAPEX of the new Terminal T3 for the current Control Period.
- Further, the Authority notes that the Project cost of new Terminal Building has been allocated in the ratio of 94.86:5.14 by the AO, which the Authority proposes to re-allocate in the revised Terminal Building ratio of 90:10 (refer para 7.4.3 below) and based on the same, the allowable Aero cost of Phase I of Terminal T3 is ₹ 1,628.26 Crores for the current Control Period.

A3: Green Initiatives:

- **Solar PV 3 MW solar plant** has been projected by the AO for ₹ 19.92 Crores in FY 2024-25 considering ₹ 7 Crores per MW. However, the Authority has considered a cost of ₹ 4.50 Crores per MW based on cost incurred at other airports (as against ₹ 7 Crores submitted by the AO), and based on the same, the allowable cost estimated is ₹ 13.50 Crores during FY 2024-25. The Authority has determined Aeronautical costs of this project as ₹ 12.15 crores, by apportioning the total allowable costs (₹ 13.50 Crores) in the ratio of Terminal Building of 90:10 (refer para 7.4.3 below).

A4: Interim Cargo facility:

- The Authority observes that the AO has proposed ₹ 4.22 Crores in their MYTP spread-over two tariff years, i.e., ₹ 3.40 Crores in FY 2021-22 and ₹ 0.82 Crores in FY 2022-23 for this project. This is due to the fact that the AO has planned to develop a New Cargo Terminal Building based on the projected Cargo demand and in the meantime carry-on the Cargo operations in an interim cargo facility. The proposed cost of ₹ 4.22 Crores is for provision of additional warehouse and miscellaneous works including procurement of equipment like Forklift, DFMD (Door Frame Metal Detector), ETD, XBIS etc. which the Authority finds to be reasonable and justified.
- However, the AO has submitted vide e-mail dated January 26, 2023 the actual CAPEX towards this project is ₹ 3.02 Crores in FY 2021-22 (as against the estimate of ₹ 3.40 Crores). Hence, the Authority proposes to consider the same for FY 2021-22 and further, consider the remaining amount of ₹ 0.38 Crores in the next FY, i.e., FY 2022-23.

A5: Plant and Machinery:

- **Shifting of CCR System, Provision of 33 KV Service Connection, Provision of HT Panel in operational area** – The Authority notes that this project has been planned for facilitating the operation of various infrastructure being developed at the airport and the proposed cost is ₹ 31.52 Crores.

  The Authority proposes to allow the same and has derived the allowable Aero cost of this project as ₹ 28.37 Crores, by applying the revised Terminal Building ratio i.e., 90:10 (refer para 7.4.3 below), as against the ratio of 94.86% allocated by the AO in their MYTP submission.

A6: External Services project:

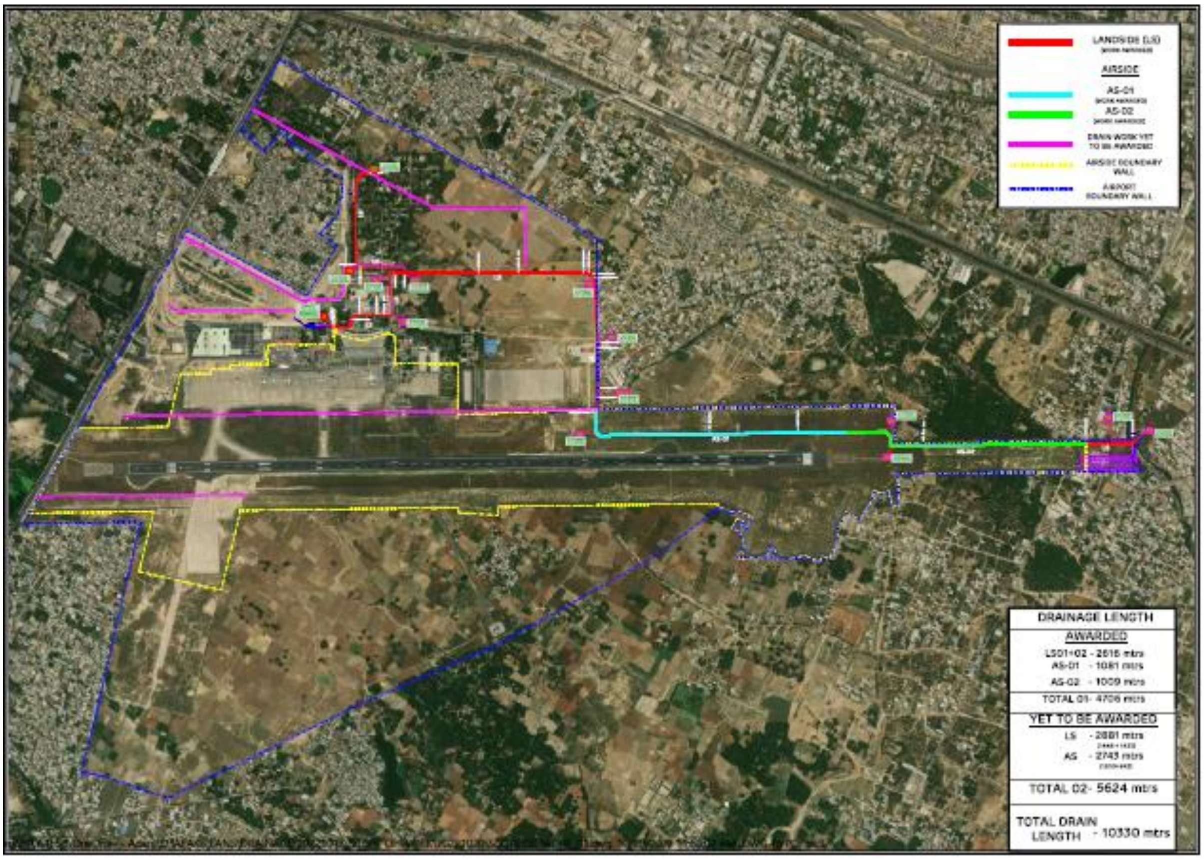
a. **Construction of drain in operational and Non-operational area** – The Authority notes that the AO has estimated the cost of this project as ₹ 93.27 Crores. The Authority reviewed the physical layout and progress of this project through its Independent Consultant and observes that:

i) There is an existing drain system which is in dilapidated condition and the outflow is not proper. It is not feasible to activate the existing drain system, since it’s flow outside the Airport is totally blocked due to construction activities and encroachment. Due to this situation, the airport area is being flooded during heavy rains.

ii) The AO has clarified that the existing topography of the overall airport area is sloping from North West to East, rather than North East to South West as given in the Drainage system design report. As per natural slope, for a short distance on the Western side of the airport /air side the slope is towards Kanpur Road and the complete balance flow of the existing air side is towards the East.

iii) The external natural outfall drains, nearest to the airport i.e. Kila Mohammadi Nalla exists in the East side. There is a proposal to have a sump and pump before the outfall of drain water to this Nalla along with a stop log/ flow control gate to avoid backflow. The requirement of desilting and controlling the sewage flow in the Nalla have been brought to the notice of Lucknow Nagar Nigam and Jal Nigam authorities by the AO and the local government authorities have plans to clean and widen the Nalla.

iv) The Authority notes that, the AO has provided a layout map of the proposed drains in this Control Period (shown below) and a detailed estimate amounting to ₹ 100 Crores. It can be seen from the map that, the drainage system of South side is planned in the next Control Period, except for a length of 843m at south west side of runway. The layout plan of drainage system, earmarking the stretches already awarded by the AO at landside (LS-1, LS-2) and at airside (AS-1, AS-2) as well as that to be awarded is shown below. The award amount for these are ₹ 20.18 Crores for LS1 + LS2, ₹ 13.37 Crores for AS1 and ₹ 14.62 Crores for AS2, totaling to ₹ 48.17 Crores.



v) It can be seen from the above layout plan that, the works for two segments at airside and drains parallel to cityside roads are yet to be awarded. One segment at Airside is between the Apron and future Taxiway, with length of 1,900m. The flow of this drain is towards East and connects with the main drain between nodes 04 and 05. The second segment is at south side of Runway between Isolation Bay and Runway, with length of 843m and flow towards west. The AO has proposed to connect this with Highway drain, however no separate estimate has been provided by the AO for this work.

vi) The Authority notes from the detailed estimate that the major value item is Lean Mix Concrete with estimated cost of approx. ₹ 40 Crores, i.e., 40% of the total work which is planned to be utilized for filling the sides of drain. However, as per the regular practice, good earth or sand is being used for filling the sides of drain and by utilizing the same, this work can be done with a cost of approx. ₹ 25 Crores, as against the AO's estimate of ₹ 40 Crores.

vii) Further, the Authority observes that, in the rate analysis of roads, Apron, Taxiway and other pavements, provision has already been given for sub-drains. However, it is observed from the above layout of drains that at many locations the proposed main drains are at the sides and adjacent to the pavements, whereby construction of separate sub drains to connect the main drains is not needed, and accordingly, the cost of such sub-drains has been rationalized in the CAPEX of drain work.

viii) Considering the aforementioned facts, the Authority notes that the cost estimate for drains can be rationalized by ₹ 25 Crores and accordingly, proposes to consider an amount of ₹ 75 Crores as justifiable for the proposed work in the current Control Period.

A7: Other Associated Works:

a. **Construction of New Sub Fire Station (CAT-IV) and Emergency Medical Centre** – The Authority notes that the AO has claimed Aero CAPEX of ₹ 22.48 Crores for this project and distributed it over two FYs, namely ₹ 4.60 Crores in FY 2021-22 and ₹ 17.88 Crores in FY 2022-23.

Upon further examination of the documents provided by the AO and based on the site visit conducted through its Independent Consultant, the Authority observes that the Sub Fire Station CAT- IV and Emergency Medical Centre works have been completed by September 2022.

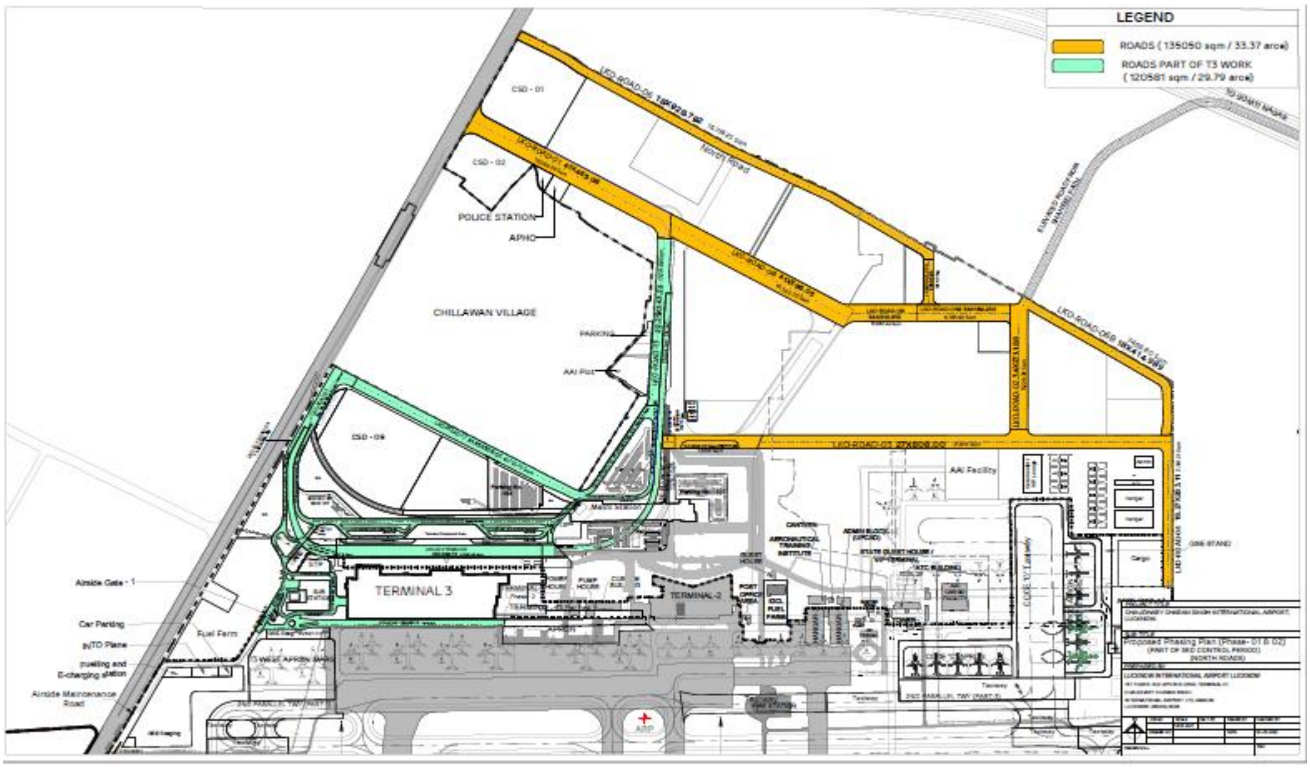
The existing Fire Station of CAT- VIII has to be dismantled for construction of Parallel Taxi Track (PTT). Considering the urgency for constructing the PTT, the AO has planned to upgrade the recently constructed CAT- IV Sub Fire Station to CAT-VIII (communicated to the Authority vide email dated September 22, 2022).

Based on the above factors, the Authority proposes to consider the total costs of this project as claimed by the AO for capitalization. However in this respect the Authority notes that the AO has submitted vide e-mail dated January 26, 2023 that they have not capitalized any amount relating to this work in the FY 2021-22 and hence, the Authority proposes to allow total expenditure in the next tariff year, i.e., FY 2022-23 for this project. Further, the Authority proposes to consider this asset as 100% Aeronautical as against 94.86% assigned by the AO (refer para 7.4.2 below) and consider capitalization of ₹ 23.70 Crores for this project during the current Control Period.

b. **Elevated Road and At-Grade Road associated with T3**

i. The Authority notes that as the Terminal Building is planned for two level of operations – the Elevated road is required for the departure operations and for smooth movement and At Grade roads (which means it is at Ground Level) represents all other roads connected with the operation of Terminal Building at city side from the Elevated road. This project was part of the Terminal Building work awarded by AAI to the contractor M/s NCC and the Authority notes through its Independent Consultant that this work is currently under progress. The AO had revised the rates of various items and had issued revised work order to the above contractor and as per such revised Work order, the cost of Elevated Road as per the aforementioned work order is ₹ 161 Crores and that of other roads (At Grade Roads) is ₹ 134 Crores, totaling to ₹ 295 Crores.

Image of North side roads provided by the AO has been shown below:



ii. As per the BOQ details provided by AO, which is the revised Schedule given to M/s NCC for execution, the amount of work executed up to March 31, 2021 is ₹ 74.42 Crores. The AO had assessed the balance quantities of various items to be executed and revised the rates for the balance quantities in discussion with M/s NCC. As per the original agreement between the contractor M/s NCC and AAI, the quantities up to deviation limit have to be executed at the rates mentioned in the Agreement and the escalation, if any has to be computed based on a formula stated in the agreement, after giving effect to inflationary adjustments. At this juncture it is not possible to calculate the exact escalation amount, since it has to be calculated based on the amount of work executed in each quarter with appropriate inflation indices. Hence, the Authority proposes to assume the WPI and forecasted WPI for estimating the escalation amount. From FY 2017-18 to FY 2023-24 the increase due to inflation is forecasted as 41%. The amount of work within the deviation limit, as per the BOQ, being executed after March 31, 2021, at the revised rate is ₹ 44.57 Crores. The Authority is of the view that, by following the terms and conditions of the original agreement this amount could have been reduced by ₹ 5 Crores. The amount of work beyond the deviation limit (as stated in the Agreement) at the revised rates works out to ₹ 8.44 Crores. The Authority notes that there are many extra /new items that have been added by the Contractor and the estimated amount for the same is ₹ 33.32 Crores. This is mainly on account of the extra measures being taken for making the structure more resilient to earthquake, Canopy at arrival and departure level for passenger convenience (₹ 12.54 Crores), fixing of long span Steel Girder to avoid column structure and loading above the Metro line (₹ 9.10 Crores) and due to change in the alignment for improving the traffic flow. Considering all the above, the total estimated cost of the Elevated Road would be revised to ₹ 156 Crores and the details of the same are shown below:

Table 66: Revised cost estimate of Elevated roads project derived by the Authority

Particulars	Ref.	Amount (₹ crores)
Amount for Executed quantities as for which original rates were applied	A	74.42
Amount for quantities up to 130% Deviation with revised rates	B	44.57
Amount for quantities above 130% Deviation with revised rates	C	8.44
Amount for Extra works	D	33.31
Total Cost – Civil & mechanical works	**E**	**161.00**
Cost proposed by the Authority	**F**	**156.00**
Cost rationalised by the Authority (G = E-F)	**G**	**5.00**

iii. In respect of At-Grade roads, as per the layout plan submitted by AO, the total area of roads as part of T3 is 1,20,581 Sq.m. The area of Elevated Road is approximately 20,000 sqm and therefore, the area of other roads is 1,00,581sqm. The unit rate submitted by the AO for construction of Roads (which includes Civil and some part of Electrical works) is ₹ 6,700 per Sq.m, wherein the cost of drainage has been considered as 25%. However, the Authority proposes to consider drainage as 12.5%, based on the generally followed practice/ various assessments. Accordingly, the Authority has derived the average unit cost as ₹ 6,100 per Sq.m (which includes Civil and some part of Electrical works) and proposes to allow the project cost as ₹ 61.35 crores (1,00,581 Sq.m * ₹ 6,100 per Sq.m). On analysis of the AO's submission, the Authority proposes to consider the following additional costs:

- Higher specification for road and its accessories in front of Terminal Building @ 10% i.e., ₹ 6.14 Crores and
- Cost of 30 m high Mast, Junction boxes, Bollards, HT cable diversion, dismantling of existing pavements etc., amounting to ₹ 21.50 Crores.
- Considering all the above, the cost of At-Grade roads will be revised to ₹ 89 Crores and the details of the same are shown below:

Table 67: Allowable cost of At Grade roads derived by the Authority

(₹ Crores)

Particulars	Amount
Cost of roads based on average unit rate of ₹ 6100 per sqm	61.35
Add extra cost for higher specification for road and its accessories in front of Terminal Building @ 10% (of ₹ 61.35 crores)	6.14
Cost of other items included by the AO such as 30 m high Mast, Junction boxes, Bollards, HT cable diversion, dismantling of existing pavements etc (other than those not covered under the Electrical works, included as part of the average unit cost of ₹6,100 per sqm considered by the Authority)	21.50
Total allowable costs	**89.00**

iv. Based on the above, the total recommended estimated cost for this work is ₹ 245 Crores (₹ 156 Crores for Elevated roads and ₹ 89 Crores for At Grade roads) and the same is proposed to be considered as part of the cost of new Terminal Building T3 project under A2 above (refer

Table 65). Hence, the Authority proposes not to consider the cost of this project, separately under this head.

c. **Expansion of existing isolation bay** – The Authority notes that this work has been mandated under Schedule T of the Concession Agreement and was awarded by AAI for an amount of ₹ 9.33 Crores. Subsequently, the Isolation Bay has been slightly shifted towards the Southwest and the orientation also changed to perpendicular position with respect to the Runway by AAI. The Authority observes that the AO has submitted vide e-mail dated January 26, 2023 that they have completed and capitalized this work at a cost of ₹ 17.66 Crores in the FY 2021-22. Hence, the Authority proposes to allow the project cost of ₹ 17.66 Crores for capitalization in the FY 2021-22.

d. **Construction of Property wall around AAI land at CCSIA, Lucknow (Deposit work to UPRNNL) at a cost of ₹ 4.77 Crores** – The Authority notes that AAI had made a deposit of ₹ 5 Crore with the vendor for carrying out this project. The Authority proposes not to consider this capital expenditure in the current Control Period. However, based on completion of the project and actual cost incurred by the AO, the Authority will consider the same at the time of true up of the Third Control Period, while determining tariff for the fourth Control Period subject to reasonableness and efficiency.

7.3.5. Based on the above proposals, the Authority has considered the Capital Expenditure Projects initiated in the pre-COD period by AAI and transferred to AO which is as follows:

Table 68: Summary of Capital Expenditure Projects submitted by AO and proposed by the Authority for the Third Control Period

(₹ Crores)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO# (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
Projects initiated in Pre-COD Period and mandated to be executed in Third Control Period								
A.	A1	Capital Addition projects initiated by AAI in Pre-Control Period and being executed in Third Control Period	**Runways, Taxiway & Apron**					
			Apron Work: Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways	2021-22	-	11.38	-	-
				2022-23	2022-23	9.74	21.12	
			Apron Work: Providing of CAT-III B Lighting	2022-23	2022-23	3.90	3.90	-
			Apron work: Augmentation of Power Supply	2022-23	2022-23	5.15	5.15	-
			Total – Runways, taxiway & Apron			**30.17**	**30.17**	**-**
	A2		**Terminal Building**					
			Construction of New Integrated Terminal Building T3	2023-24	2024-25	2,153.96	1,628.26	(525.70)
				2024-25		253.38	-	(253.38)

Reference	Project Group	Description of the Project	Year of Capitalisation		Submitted by AO# (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
			Submitted by AO	Proposed by Authority			
		Total – Terminal Building T3			**2,407.34**	**1,628.26**	**(779.08)**
A3.		**Green Initiatives**					
		Solar PV 3 MW solar plant	2024-25	2024-25	19.92	12.15	(7.77)
		Total – Green Initiatives			**19.92**	**12.15**	**(7.77)**
A4.		**Other Services**					
		Interim Cargo facility	2021-22	2021-22	3.40	3.02	-
			2022-23	2022-23	0.82	1.20	-
		Total – Other Services			**4.22**	**4.22**	-
A5.		**Plant and Machinery**					
		Shifting of CCR System, Provision of 33 KV Service Connection, Provision of HT Panel at Terminal-2 Substation	2022-23	2022-23	29.90	28.37	(1.53)
		Total – Plant and Machinery			**29.90**	**28.37**	**(1.53)**
A6.		**External Services**					
		Construction of Drain in Operational & Non-Operational area incl. survey work at CCSI	2022-23	2023-24	100.00	75.00	(25.00)
		Total – External Services			**100.00**	**75.00**	**(25.00)**
A7.		**Other Associated Works**					
		Construction of New Sub Fire Station (CAT-IV) and (Cat IX), Emergency Medical Centre and E&M workshop	2021-22	2022-23	4.60	23.70	1.22
			2022-23		17.88		
		Elevated Road associated with T3*	2023-24	-	279.84	-	(279.84)
		Expansion of existing isolation bay : SH Civil works	2023-24	2021-22	16.75	17.66	0.91
		Construction of Property wall around AAI land at C.C.S.I. Airport, Lucknow (Deposit work to UPRNNL)	2023-24	-	4.77	-	(4.77)
		Total – Other Associated Works			**323.85**	**41.36**	**(282.49)**

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO# (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
			Total Project Cost of AAI initiated projects (A)			**2,915.41**	**1,819.53**	**(1,095.87)**

For details on CAPEX submitted by AO refer Table 60.

* *Note – The allowable cost of Elevated Road and At Grade road associated with T3 has been considered under A2 Terminal Building T3 project.*

7.3.6. The Authority has proposed to consider the Project Cost of CWIP projects as per Table 68 for ₹ 1,819.53 Crores.

7.3.7. The Authority has examined the new CAPEX projects submitted by the AO for the Third Control Period as follows:

B. New Capital Expenditure projects submitted by the Airport operator for the Third Control Period

- The Authority notes that the Airport Operator is mandated to plan and develop Phase wise of the Airport in the manner set out in the Concession Agreement as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections (as mentioned in para 7.1.2 of this Consultation Paper). In this background, the Authority has examined the new capital expenditure projects submitted by the Airport Operator and has rationalized it based on traffic forecasts, present and future designated capacity of the Airport and also with the perspective of keeping the tariff rates at a reasonable level.
- Project-wise capital additions under Category 'B', have already been given in Table 60. The Authority's analysis of the same is given project-wise in the following paras:

B1: Runways, Taxiway and Apron – The work towards Runway, Taxiway and Apron along with its status of completion is as follows:

a. **Apron and Taxiway related to T3, Cargo, West Side and East Side –** The work has been projected by the Airport Operator for an amount of ₹ 221.70 Crores based on the detailed cost estimate submitted by the AO. The cost of this project has been claimed in two FYs, namely, FY 2022-23 and FY 2024-25.

The Authority observes that the following works have been proposed under this head –

i. Construction of Entry / Exit Taxiway from North side part Parallel Taxiway to Runway.

ii. Construction of Code E second Parallel Taxiway – East side.

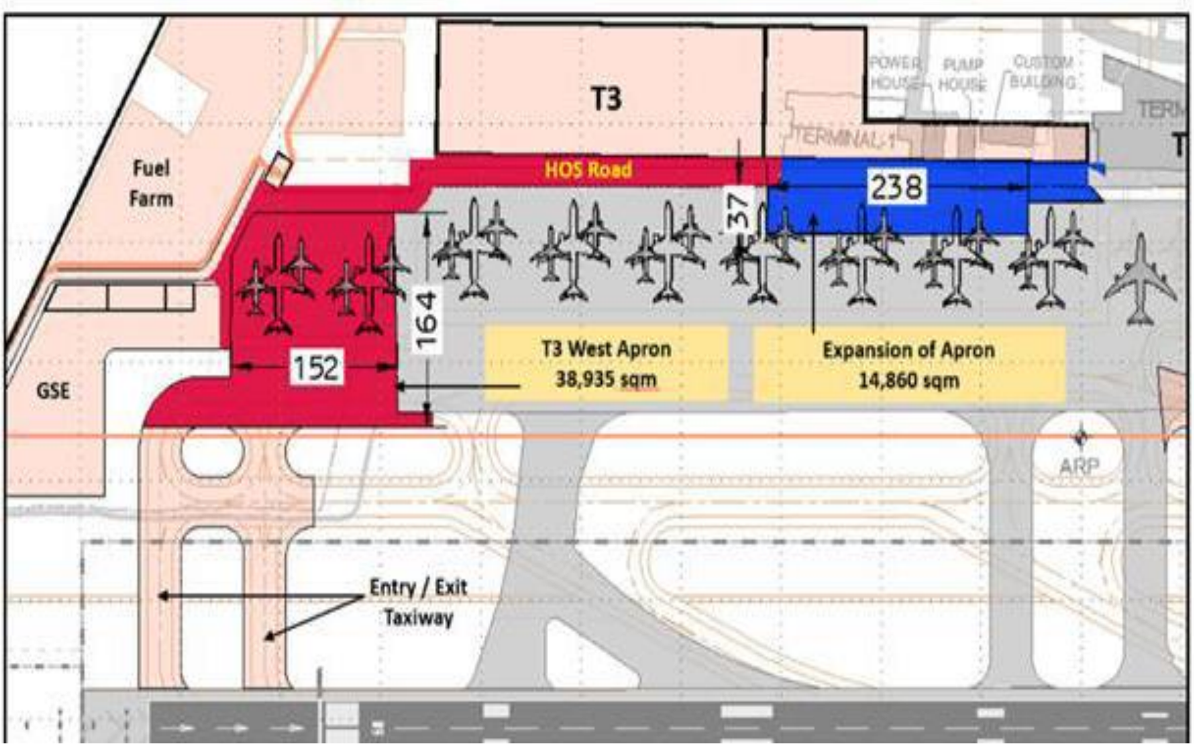
iii. Construction of code D Taxi lane for Cargo Apron.

iv. Apron at the West side of T3.

v. Head of Stand (HOS) for Apron of T3 and

vi. Apron for Cargo Complex, HOS for Cargo.

The relevant layout map of the projected work forming part of the Master Plan provided by the AO, has been shown as follows:



Further, the Authority has computed the WPI adjusted normative rate for pavements, which is as follows:

Table 69: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Apron and Taxiway Project

Particulars	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**
WPI *	100.00	101.73	104.74	109.21	111.03	112.49		-	-	-
Inflation %**							7.14%#	10.4 %	5%	5%
Rate Per Sq.m. (in ₹)	4,700	4,781	4,923	5,133	5,218	5,287	5,664	6,254	6,566	6,895
Rate per Sqm incl. GST @ 6% (refer note below Table 64 of para A2 (v)									6,960	7,308

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

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

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

The AO has submitted the detailed estimate showing rate analysis for different types of pavements, wherein the AO has considered 15% of the cost of pavement works for sub drainage and 15% for electric works. Details of drainage to connect the main drain have not been provided. Normally, 5% to 10 % of pavement works is required for drainage of pavements. The Authority proposes to consider the same as 10% based on the flat topography and poor soil conditions. In respect of electrical works, the Authority considers 15% to be reasonable. Further, the Authority notes that the AO has considered 15% extra for working in operational area, whereas in other comparable airports only 5% has been considered. Based on the above facts, the Authority has derived the rates and the same has been detailed in Table 70.

The Authority has compared the estimated cost of various pavements calculated based on the normative rate (refer Table 69) with the detailed estimate submitted by AO and that derived by the Authority from the estimates submitted by the AO. Based on the same, the Authority has proposed the cost of the Apron works proposed to be executed in FY 2023-24 and FY 2024-25 and the same has been provided in table below.

Table 70: Cost of Apron works proposed by the Authority for the Third Control Period

(₹ Crores)

Work (1)	**Area (sqm.) (2)**	**Cost**					
		Normative costs (3) = (2) x Normative rate	**Exclusions (4)#**	**Total (5 = 3+4)**	**Submitted by AO (6)**	**Derived by Authority based on submission of AO (7)**	**Proposed by Authority (8)**
FY 2023-24							
Code E Parallel Taxiway East Side	38,460	26.77	7.25	34.02	37.77	33.43	33.43
Code D Taxi lane for Cargo Apron	21,805	15.18	5.70	20.88	24.64	21.70	20.88
Apron for Cargo Complex	31,913	22.21	15.24*	37.45	40.18	35.60	35.60
GSE staging East & West Sides	27,636	-	-	-	20.45	18.50	18.50
HoS road portion of Apron T3	17,165	-	-	-	9.27	8.27	8.27
Dismantling works	-	-	-	-	3.45	3.40	3.40
Sub-total (excluding PMC cost) (A)					**135.76**	**120.90**	**120.08**
FY 2024-25							
Entry/ Exit Taxiway (excluding PMC cost)	39,880	29.14**	9.80	38.94	40.93	38.00***	38.00
Apron at West-side of T3	39,406	28.80**	10.83	39.63	45.01	41.45***	39.63
Sub-total (B)					**85.94**	**79.45**	**77.63**
Overall Total (A+B)					**221.70**	**200.35**	**197.71**

 # Exclusions are the items of work below the sub grade and AGL

** The amount is inclusive of HoS Road and other connecting roads.*

*** Normative rate for FY 24-25 has been applied*

****Amount is inclusive of WPI for FY 24-25.*

As shown in Table 70, the Authority proposes to allow ₹ 197.71 Crores towards Runway, Taxiway & Apron projects as against ₹ 221.70 Crores claimed by the AO.

b. **Development of RESA for Runway 09** has been proposed by the Airport Operator for a cost estimate of ₹ 10.90 Crores in FY 2022-23.

The Authority, based upon the site visit conducted by the Independent Consultant between July 27 to July 29, 2022 notes that, RESA is already available at CCSIA and the projected work has been planned for extension of the RESA. Further, the Authority notes that DGCA in their inspection report have pointed out that the RESA of Runway 27 is not maintained properly and the CBR test report of

RESA has not been provided. The Authority has noted through the site visit conducted by the Independent Consultant and the Authority that RESA of Runway 27 is on the West side and RESA of Runway 09 is on the East side where the Runway extension has been planned. The Authority is of the view that CBR can be re-evaluated by the AO. The Authority observes that this project work detailed by the AO is with respect to extension of RESA at the East side. Since the Runway extension is in planning stage and will be executed only in the next Control Period, a RESA for the extended runway can be undertaken by the AO along with runway extension at a later stage. Hence, the Authority proposes to maintain minimum RESA as per standard and shift the balance along with runway extension to the next Control Period. Accordingly, the Authority considers ₹ 3 Crores as reasonable for the immediate requirement and proposes to allow the same for capitalization during the current Control Period.

c. **GSE Staging – East & West side (Rigid Pavement)** has been projected by the Airport Operator for a cost estimate of ₹ 20.45 Crores in the FY 2024-25.

The Authority observes that this work has already been included in Apron and Taxiway work and hence proposes not to consider the same under this head.

d. **Runway Overlay** – The Authority notes that the earlier runway recarpeting was completed in 2019 by AAI and currently there is no distress on the runway condition. However, certain patches were formed at different locations and the AO had carried-out patch works to rectify the same.

Further, the Authority notes that the DGCA had carried out the Surveillance Inspection in August 2022 and their observation on runway surface is given below:

"Bitumen on the top surface of Runway to bind the aggregate particles has been diminished. The surface may create FOD due to loose aggregates. The Runway should be re-carpeted at the earliest to restore its surface characteristics as per CAR requirements. Till then the frequency of Runway inspection should be enhanced to check the FOD/loose aggregate and any further deterioration on the surface."

It is pertinent to note here that the AO had claimed an estimated amount of ₹ 40 Crores under OPEX as 'Amortization of runway recarpeting expenses' for a period of five (5) years wherein ₹ 8 Crores has been claimed for each year, starting from the last tariff year, i.e., FY 2025-26 of the current Control Period and had submitted a detailed estimate projecting one layer of SDAC overlay in addition to one surfacing layer of DAC. The Authority is of the view that overlaying the runway with two layers (SDAC and DAC) will lead to increase in PCN value and accordingly has been considered as part of CAPEX.

The Authority after examining the detailed estimate submitted by the AO, proposes to consider the ₹ 40 Crores as CAPEX for the current Control Period. Further, the Authority finds the estimate of ₹ 40 Crores to be reasonable and justified for this work and hence, proposes to consider the same for capitalization in the last tariff year, i.e., FY 2025-26 of the current Control Period.

e. **Improving the CBR Value of Basic Strip** have been projected to be capitalized by the Airport Operator for ₹ 35 Crores distributed over two FYs, namely FY 2022-23 and FY 2023-24.

The Authority notes that the AO conducted the CBR test at various points on the Basic strip and the results showed the CBR value to be around 6. The Authority notes that since the Runway extension is planned only in the next Control Period and based on the same, this project can be carried-out along with runway extension, in the next Control Period, after proper soil investigation. Hence, the Authority proposes to shift this project to the next Control Period.

f. **Miscellaneous Airside improvement works** for an estimated cost of ₹ 8.64 Crores spread over three FYs, i.e., FY 2021-22, FY2022-23, FY 2024-25 has been submitted by the Airport Operator.

The Authority notes that the AO has claimed projected cost of ₹ 8.64 Crores for various miscellaneous airside works such as, shifting and diversion of cables – Apron works, Provision of high mast, Oil Water Separator, Into Plane Facility Building for 1,060 Sq.m, Airside Perimeter Road for 4,850sqm, Airside Car Parking for 520 Sq.m and other miscellaneous works.

The Authority through its Independent Consultant verified the details of all the items and finds that the works planned by the AO are not critical. Hence, the cost estimated by AO is not justified during the current Control Period. Based on the same, the Authority proposes not to consider the projected cost in the current Control Period.

B2: Terminal Building – The work towards modification of existing Terminal Building is as follows:

a. **Various Terminal improvement works** for ₹ 0.95 Crores has been projected by the Airport Operator for capitalization in the FY 2021-22. Considering the delay in execution of T3, the proposed expenditure is justified and allowed. Also, the AO has submitted vide e-mail dated January 26, 2023 that the actual CAPEX incurred toward this project is ₹ 3.42 Crores in the FY 2021-22, which the Authority proposes to consider. Further, the Authority proposes to re-allocate this cost in the revised Terminal Building ratio of 90:10 (refer para 7.4.3 below) as compared to 94.86:5.14 allocated by the AO.

B3: Other Services (Cargo facility and Fuel farm) – The work towards Other Services relating to Cargo facility and Fuel farm and the status of its completion is as follows:

a. **New Integrated Cargo facility** – The Authority notes that this project is mandated under Clause 19.4 of the Concession Agreement and that the AO has planned for construction of New Integrated Cargo Terminal with total area of 5,826 Sq.m of office, warehouse space and 3,915 Sq.m of parking and trucking area. The AO has further projected to have an annual Cargo handling capacity of approximately 30,000 tonnes per annum as against the much lower current capacity of Interim Cargo Terminal i.e., total. 5,000 tonnes per annum.

The Authority, through its Independent Consultant, examined the details of the cost estimate along with other supporting documents provided by the AO and notes that the estimate has been prepared based on CPWD plinth area rates and market rates. It includes the cost of Civil work, MEP, Fire Fighting System, Security Equipment and Airport Systems. The unit rate for Cargo terminal of ₹ 60,300/- per Sq.m and for parking and trucking area of ₹ 8,300 per Sq.m are reasonable. Based on the above factors, the Authority finds the estimated cost of ₹ 38.38 Crores to be reasonable and proposes to consider the same in FY 2023-24.

b. **Equipment for New Integrated Cargo facility** amounting to ₹ 4.49 Crores has been projected by the Airport Operator for capitalization in FY 2023-24. The Authority notes that the AO has provided the detailed list of equipment and corresponding cost break-up. The Authority upon verification of the same and other supporting documents, finds the estimated cost of ₹ 4.49 Crores claimed by the AO to be reasonable. Further, the AO has submitted that the requirement of Cargo Equipment for the new Integrated Cargo facility is for total ₹ 7 Crores. However, as the AO has invested around ₹ 4 crores for revamping the Interim Cargo facility, it is submitted by the AO that certain equipment from the Interim Cargo facility will be utilized in the new facility and hence, the cost of cargo equipment for the new integrated facility is estimated as ₹ 4.49 Crores. Based on the above factors, the Authority proposes to consider this cost for capitalization during the FY 2023-24.

c. **Purchase of assets of existing Oil Marketing Companies (OMCs)** – The AO has claimed ₹ 24.50 Crores under this head including the value of ₹ 9.50 Crores towards dead-stock of fuel.

The Authority notes as per clause 19.3 of Concession Agreement, the Concessionaire is mandated to provide the infrastructure required for operation of fueling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities. In this respect, the Authority observes that presently IOCL, Reliance and HPCL are supplying ATF with capacities of 800 KL, 210 KL and 30 KL respectively as against the current estimated demand of 350 KL per day. The IOCL has another storage facility outside the Airport.

Further, the Authority notes the AO has planned to acquire the facilities of the existing players in order to give equal access to all the aircrafts and already signed necessary MoUs with IOCL and Reliance. The depreciated cost of the existing assets that are purchased from IOCL and Reliance i.e., fuel tanks and other allied infrastructure is ₹ 6 Crores (as submitted by the AO vide email dated September 12, 2022). In addition to this, ₹ 6 Crores has been estimated for purchasing various Refuelers / Bowsers to deliver ATF from fuel farm storage tanks to aircrafts thereby totaling to ₹ 12 Crores. Upon review of all the supporting documents and justification / explanation provided by the AO, the Authority considers the estimated cost as reasonable and proposes to allow the same during the current Control period.

The Authority also observes that the AO has projected requirement of dead stock (minimum level of fuel that needs to be maintained at all times in the storage tanks, pipelines and hydrant systems for uninterrupted operations of the fuel farm) of 950KL for ₹ 9.50 Crores vide email dated September 19, 2022, which the Authority finds to be reasonable and proposes to consider under this head, thereby resulting in total CAPEX of ₹ 21.50 Crores in the FY 2022-23.

d. **Building of new assets for Open access Fuel Facility operations** – The Authority observes that the AO has projected building a new greenfield fuel farm facility with 4 Nos storage tanks having overall capacity of 5,000 KL, Admin facilities, Refilling /off-loading area, Fuel Hydrant System having total length of 6 km, Pit Flushers etc., for an estimated cost of ₹ 193 Crores, with operationalization planned in the FY 2023 -24. The capacity of the existing players is IOCL – 800KL, Reliance – 210 KL and HPCL- 30 KL.

The details of existing capacity vis-à-vis demand based on ATM traffic during Pre-Covid year and projected ATM for the current Control Period are shown in the table below:

Table 71: Details of demand requirement during Pre-COVID and Projected ATM

FY	ATM (in '000s)	Demand requirement* (in KL)
2019-20	38.49	1,400
2021-22	29.36	1,068
2022-23	37.79	1,375
2023-24	43.30	1,575
2024-25	52.21	1,900
2025-26	61.96	2,254

* *Requirement is considered based on 4 days demand.*

Further, based on the site visit conducted through its Independent Consultant between July 27 to July 29, 2022, the Authority observes that the acquisition of the existing facilities can be completed and the operations can be commenced by AO by the end of FY 2022-23. The existing facilities along with the outdoor storage facility of IOCL are having capacity to serve a minimum of 4 to 5 days of the present traffic. The Authority notes that the new greenfield facility is planned to have capacity for serving a minimum of 10 days, without recouping, for the expected demand of FY 2026-27.

The Authority notes that the work has already been awarded, for an amount of ₹ 186.42 Crores and the scheduled date of completion has been proposed by the AO as March 31, 2023. However, it may take some more time to commission the facility after obtaining all the statutory approvals.

The Authority also observes that the storage capacity for 10 days planned by the AO is not essential, since the airport is not in a remote area. Hence, the Authority is of the view that it would be prudent to construct two storage tanks (of 1,250 KL per tank) in this Control Period and the other two in the next Control Period, whereas the total hydrant system to be constructed in the current Control Period. Thereby, the Authority proposes to rationalise the cost of this facility to ₹ 130 Crores, which it finds to be reasonable and proposes to consider capitalisation of this facility in FY 2023-24.

B4: Security equipment – The work towards Security equipment and the status of its completion is as follows:

a. **Crash Fire Tender** (CFT) for ₹ 25.62 Crores has been proposed by the AO in FY 2024-25 and FY 2025-26. The Authority observes that at present the station has 4 Crash Fire Tenders (CFTs), out of which 3 CFTs were purchased in the year 2010 and 2011. The useful lives of these CFTs (estimated as 10 years), have been completed, thereby necessitating replacement of the same. The AO has obtained necessary quotations from M/s Rosenbauer, one of the major suppliers of CFT and the cost of one CFT is approximately ₹ 9 Crores, which works out to total cost of ₹ 27 Crores for 3 CFTs. Hence, the Authority proposes to consider the requirement during this Control period. Further, the Authority proposes to treat this asset as 100% Aeronautical (refer para 7.4.2 below) and thereby, consider the cost of this project as ₹ 27 Crores, to be capitalized as per the schedule submitted by the AO.

b. **PIDS with CCTV camera has been** projected by the AO for ₹ 19.92 Crores in FY 2024-25. The Authority notes that as per BCAS audit observation, the Perimeter Intrusion Detection System (PIDS) is required to be installed at CCSIA. The AO has obtained the quotation for the same from the vendor M/s.Blutronix, based on the which it had estimated the cost of ₹ 19.92 Crores for this item. However, the Authority observes that the Operational Wall is getting realigned for major length after removal of encroachment and getting additional land for runway extension and for Parallel Taxiway and the PIDS can be installed only after completion of the wall, considering the logistics. Hence, the Authority propose to shift this work to the next Control Period.

c. **BDDS Equipment's (Set)** for ₹ 8.54 Crores has been proposed by the AO in FY 2022-23. The Authority notes that the Inspection report issued by BCAS in March 2022, states that there is no BDDS equipment available at the Airport. To fulfill this requirement, the AO has projected CAPEX of ₹ 8.54 Crores for purchase of various BDDS equipment. Considering the safety and security requirements, the Authority proposes to allow this CAPEX as per the capitalization schedule submitted by the Airport Operator. Further, the Authority notes that AO has considered this asset as Common. However, the Authority proposes to treat this asset has 100% Aeronautical (refer para 7.4.2 below) and consider the cost of this project as ₹ 9 Crores for capitalization in FY 2022-23.

d. **Body Scanner** for ₹ 28.46 Crores has been proposed by the AO over two tariff years, i.e., FY 2024-25 and FY 2025-26. The Authority observes that as per BCAS Guidelines, all hypersensitive airports are required to install Body Scanner and CCSIA falls under the above category of hypersensitive airport. However, the Authority on further examination notes that Body Scanner is a relatively new technology and still in its nascent stage. Hence, the Authority feels that the same can be implemented in a phased manner. The Authority notes that the AO has projected 10 Body Scanners at a cost of ₹ 3 Crores per machine, totaling to ₹ 30 Crores and allocated the same to Aeronautical activities, in the ratio of 94.86:5.14. As compared to this, the Authority proposes to allow 5 Body Scanners in the current Control period at a total cost of ₹ 15 Crores and allocate the same to Aeronautical activities in the ratio of 100% (refer para 7.4.2 below).

e. **Miscellaneous items** for ₹ 15.78 Crores have been proposed by the AO across all the five tariff years. The Authority notes that the estimated cost under this subhead includes the works/ equipment mainly towards Airside access gates/ crash gates such as CCTV, X-BIS, cable, software etc., and 2 QRT vehicles as well as replacement of 4 ambulances. The requirements have been projected by AO based on the BCAS inspection dated March 3, 2022 and the BCAS circular / guidelines issued on maintaining the safety and security aspects of the airport. However, the Authority notes that some of the items are available in the airport and in good condition. Based on the same, the Authority proposes to allow 50% of this CAPEX as per the capitalization schedule submitted by the Airport Operator.

   In this respect, the Authority notes that the AO has submitted vide e-mail dated January 26, 2023 that the actual CAPEX in the FY 2021-22 is ₹ 1.20 Crores, which the Authority proposes to consider.

   Further, the Authority notes that AO has considered this asset as Common. However, the Authority proposes to treat this asset as 100% Aeronautical (refer para 7.4.2 below) and consider the cost of this project as ₹ 8.32 Crores, to be capitalized as per the schedule submitted by the AO.

B5: Plant and Machinery – the work towards Plant and machinery and the status of its completion is as follows:

a. **Runway sweeping machine** for ₹ 4.74 Crores in FY 2022-23. The Authority notes that this item is required for Major Airports and has reviewed the cost benefit analysis submitted by the AO. Based on the same, the Authority finds the cost estimate to be reasonable. Further, the Authority notes that the AO has considered this asset as Common. However, the Authority proposes to treat this asset as 100% Aeronautical (refer para 7.4.2 below)and consider the cost of this project as ₹ 5 Crores to be capitalized in FY 2022-23.

b. **Disabled aircraft removal kit** for ₹ 9.49 Crores in FY 2022-23. The Authority notes that the DGCA has given the responsibility of arranging the “Disabled Aircraft Removal Kit (DARK)” to Major Airports and AO has planned for this CAPEX considering that the nearest Major Airport is DIAL, which is almost 500 km away. However, the Authority has examined AO’s requirement and is of the view that the same can be easily arranged from DIAL as and when required. Further, the present traffic is not huge to justify the urgency. Hence, the amount of ₹ 9.49 Crores claimed by the AO is not justified and the Authority proposes not to consider the same during the current Control Period.

c. **Rubber removal machine** for ₹ 6.50 Crores in FY 2022-23. The Authority notes that rubber removal activities are to be carried by the AO with regular intervals as set as per ATMs and maintain the friction level as per the standard. Further, on comparing the estimated costs of this asset with other similar airports and the cost benefit analysis submitted by the AO, the Authority finds the same to be reasonable. Considering the operational requirements of the Airport, the Authority proposes to consider capitalisation of this asset in this Control Period at the projected cost of ₹ 6.50 Crores. Further, the Authority notes that the AO has treated this asset as Common and apportioned to Aeronautical activities in the ratio of 94.86:5.14. However, the Authority proposes to treat this asset as 100% Aeronautical (refer para 7.4.2 below) and consider capitalization of this asset in FY 2022-23.

d. **Widening of Perimeter-road and Emergency Access Road Parallel to Runway** for ₹ 11.38 Crores has been proposed by the AO across two tariff years i.e., FY 2022-23 and FY 2023-24. The Authority observes from the Schedule T of the Concession Agreement that AAI had already carried out the widening of perimeter road (shown as 100% completed as on COD). However, the AO has claimed a revised total cost of ₹ 18.22 Crores subsequently, while submitting the detailed estimate for this project, which includes additional work towards "Emergency Access Road Parallel to Runway" for an estimated cost of ₹ 10.15 Crores

   Upon further examination of the supporting documents and based on site-visit conducted through its Independent Consultant (between July 27 to July 29 2022) the Authority is of the view that the projected cost is mostly operational in nature. Further, it is observed that at the South side there is a large-scale encroachment and removal of the same is in progress. Land acquisition for runway extension and Parallel Taxiway is also in progress which would result in a new operational wall in near future. Hence, a new Perimeter Road can be constructed and the same can be taken up in the next Control Period. The existing perimeter road can be widened where it is essentially required.
   In respect of the additional work i.e., "Emergency Access Road Parallel to Runway", claimed by the AO the Authority observes that this is an operational requirement. However, considering the proposed runway extension, Parallel Taxiway and proposed grading, strengthening of basic strip, the Authority is of the view that the AO may provide only a temporary road from the runway. Further, the North side perimeter road is almost parallel to the Runway and there are no major twists and turns. The Authority is of the view that feasibility of making use of this road as Emergency Road, temporarily, can also be examined. Considering the above, the Authority proposes to consider ₹ 4 Crores (i.e., ₹ 2 Crores each in FY 2022-23 and FY 2023-24) towards widening of essential portion of road, for capitalization in this Control Period.

e. **Cable duct for AGL cables** for ₹ 6.64 Crores has been proposed by the AO across two tariff years i.e., FY 2022-23 and FY 2023-24. The Authority observes that the operational wall is getting realigned. If the estimated cost is spent now, then the expenditure would be infructuous since the realignment work on Operational wall is still ongoing. Further, considering its proposal to shift the project on Runway extension and the Strengthening of basic strip projects to the next Control Period, the Authority proposes to shift this project work as well, to the next Control Period in line with the aforementioned related projects.

f. **Service corridor between road and Boundary wall** for ₹ 8.54 Crores has been proposed by the AO over two FYs, i.e., FY 2022-23 and FY 2023-24. As already explained in the above para (s.no. 'e'), the operational wall is proposed to be realigned after removal of encroachments and obtaining the land for the extension of the Runway. If the estimated cost is spent now, then the expenditure would be infructuous since the realignment work on Operational wall is still ongoing. The Authority is of the view that, as there is no immediate urgency for taking up this work, the same can be shifted to the next Control Period.

g. **LED type AGL lights** for ₹ 7.60 Crores has been claimed by the AO over four tariff years from FY 2022-23 to FY 2025-26. The Authority proposes to rationalise the cost of this work to ₹ 4 Crores, keeping in view the following:

- Fulfilment of essential requirements (such as servicing of circuits) that may arise during this Control Period.
- Replacement of Center Lighting has already been included under miscellaneous projects. To this extent, the Authority proposes to rationalise the cost of this project (refer Table 72).
- As the work on re-carpeting of the Runway is proposed to be shifted to the next Control Period, this project can also be undertaken along with that.

Based on the same, the Authority proposes to consider ₹ 2 Crores each in the FY 2022-23 and 2023-24.

h. **Replacement of transformer housing boxes of Runway Edge Light** for ₹ 4.74 Crores in two FYs, i.e., FY 2022-23 and FY 2023-24. The Authority notes that the work is for realignment of primary AGL circuits and shifting the transformer housing boxes outside the basic strip, in order to ease the maintenance of AGL, during the operational hours. Since the CAPEX relating to grading and strengthening of basic strip is shifted to the next Control Period, the Authority proposes to shift this work also to the next Control Period in line with the aforementioned works.

i. **Turning pad for runway 27 & 09** for ₹ 20.87 Crores has been proposed by the AO across two tariff years i.e., FY 2022-23 and FY 2023-24. The Authority observes that there is an existing Turning Pad at both ends of the runway. However, it's size and geometry are not meeting the requirements of Code E aircraft and hence, the DGCA had listed it as non-compliant. At present there is only one Code E operation per day. Further, considering that the Runway extension and re-carpeting works are planned to be carried out in the next Control Period, the Authority is of the view that the Turning Pad at the East side can be carried out in the next Control Period and hence, the allowable cost can be rationalized. Accordingly, the Authority proposes to consider cost of ₹ 5 Crores, as reasonable and justified towards the capitalization of this project. Further, the Authority proposes to distribute the amount of ₹ 5 Crores over two Fys, i.e., ₹ 2 Crores in FY 2022-23 and ₹ 3 Crores in FY 2023-24.

j. **Miscellaneous items for ₹ 29.25 Crores** have been proposed by the AO across all the five tariff years**.** The Authority has reviewed the detailed list of works and the supporting documents provided by AO for the Miscellaneous CAPEX items and based on its analysis, the Authority proposes to allow CAPEX of ₹ 11.36 Crores. The details of the items allowed with Authority's analysis is shown in the table below:

Table 72: Project wise Miscellaneous items of Plant and Machinery 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	Authority's Proposal
Watch towers for CISF & STP	1.00	0.30	0.45	-	0.50	2.25	This is a safety requirement and the cost estimate is also

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	Authority's Proposal
							reasonable and hence, recommended.
Thermal screening infrastructure	-	1.00	-	-	-	1.00	This is planned as part of the Covid protocol. Hence, recommended.
Golf carts	-	0.40	0.10	-	-	0.50	This is a facility required for Divyang and senior citizens. Estimated Cost is reasonable and hence, recommended.'
AED's	-	0.15	0.05	-	-	0.20	This has been planned for medical purpose. Cost estimate is found to be reasonable and hence, recommended.
Vehicle recovery Van	-	0.15	-	-	-	0.15	The facility is required for traffic management. The estimate is found reasonable and hence, recommended.
Follow ME Vehicle	-	0.20	-	0.20	-	0.40	This work is required to be executed as per DGCA observations and hence, recommended.
Misc. Airside Safety requirements	-	0.25	-	-	-	0.25	For carrying out, 'driving test' certain infrastructure is required. It is a safety requirement. Cost estimate is found to be reasonable and hence, recommended.
Birds scaring / wild life prevention equipment's	-	0.20	-	-	-	0.20	It is a safety requirement. Cost estimate is found to be reasonable and hence, recommended.
Speed gun/GPS	-	0.10	-	-	-	0.10	It is a safety requirement. Cost estimate is found to be reasonable and hence, recommended.
Wide sweep fan	0.21	-	-	-	-	0.21	It is a passenger facility. Cost estimate is found to be reasonable and hence, recommended.
Perimeter wall as per BCAS standard	1.50	-	-	-	-	1.50	As per BCAS standard the height of wall at some locations has to be increased. This is a security requirement based on BCAS observation. Cost estimate is also found reasonable and hence, recommended.

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	Authority's Proposal
Replacement of Centre Line lights	1.00	1.00	-	-	-	2.00	Replacement of the Centre line light fittings with LED-based is planned, since one of the circuits is under NOTAM and spares of it are not available. It is a safety requirement and also environment friendly. Estimated cost is found reasonable and hence, recommended.
Recarpeting of TWY A	-	1.50	-	-	-	1.50	It is found that stone aggregates started coming out and the surface has very rough. The work has to be carried out considering the safety angle. Estimated amount is reasonable and hence, recommended.
Stand signages and cabling	0.50	-	-	-	-	0.50	Work is required to be done for ensuring DGCA/CAR compliance. Cost estimate is also reasonable and hence, recommended.
Operational Vehicles	-	0.20	0.20	0.20	-	0.60	Planned for replacing old ones. Follow me Vehicles and replacing conventional vehicles with electric vehicles are recommended.
Total	**4.21**	**5.45**	**0.80**	**0.40**	**0.50**	**11.36**	

The Authority has not considered the items projected by the AO, such as Edge light within 3 meters of runways, Strengthening of power system for NAV aids work, Fuel Station (Petrol Pump), Access & circulation Area/ Site Development, Infrastructure cost of shifting of Navaids due to runway improvement works, Baggage repacking area, provision of Weighing scales, Wheel chairs/ Prams, Q Managers, trolley retrieval vehicle, IOT (Internet of things) system for passenger process mapping, Improvement to HVAC- Health check capex, Water Fountain, Friction testing machine, Perimeter lighting upgradation, Runway/Taxiway Signages, Apron Light mast for illumination of apron as per standard and Grading / earth filling, as the same were not found justifiable based on essentiality, or were already included under other heads of CAPEX or predominantly were in the nature of operational expenditure.

Further, the Authority observes that the AO has submitted vide e-mail dated January 26, 2023 that the actual CAPEX for the FY 2021-22 is ₹ 8.02 Crores (as against ₹ 4.21 Crores proposed by the Authority in Table 72) and the Authority proposes to consider the same. However, the Authority proposes to adjust the excess amount of ₹ 3.81 Crores allowed (₹ 8.02 Crores - ₹ 4.21 Crores) in the FY 2021-22 in the next year, i.e., FY 2022-23 and accordingly the CAPEX allowed for FY 2022-23 works out to ₹ 1.64 Crores.

B6: Green Initiatives – the work towards Green Initiative projects and the status of its completion is as follows:

a. **Conversion of airport-owned conventional vehicles operated on fossil fuels to electric vehicles** projected by the Airport Operator for ₹ 2.08 Crores with capitalization in FY 2023-24. The Authority observes that this is a requirement of MoCA from environment perspective and the existing vehicles of the AO are more than 10 years old. Hence, the AO has planned for replacement of such old vehicles with electric vehicles. The Authority examined the estimated cost submitted by the AO and also notes that, order for 6 vehicles amounting to ₹ 0.95 Crores has already been placed. The Authority finds the estimated cost of the AO to be reasonable and hence, proposes the same for capitalization in FY 2023-24.

b. **Conversion of C2 type fire-extinguishers to lower Global warming Potential (GWP)** has been projected by the Airport Operator for ₹ 0.13 Crores in FY 2023-24. The Authority notes that this is part of green energy initiative at the airport, wherein the CO2 type fire-extinguishers will be replaced across the airport with ABC type fire extinguishers. The Authority finds the estimated cost of the AO to be reasonable and hence, proposes the same for capitalization in FY 2023-24.

c. **Conversion of high Global Warming Potential (GWP) refrigerant to low GWP** for ₹ 0.14 Crores has been projected by the Airport Operator in FY 2023-24. The Authority notes that this is also a green energy initiative at the airport and the estimated cost is found to be reasonable. Hence, the Authority proposes to consider this CAPEX in FY 2023-24.

d. **Infrastructure of electric vehicle charging stations** for ₹ 0.60 Crores in FY 2023-24. The Authority observes that this is also a Green Energy initiative at the airport. However, it pertains to commercial infrastructure and therefore, the Authority proposes not to consider the same for capitalization during the current Control Period.

B7: Roads – the work towards Roads and the status of its completion is as follows:

a. **Transportation Management** projected by the Airport Operator for ₹ 17.88 Crores with capitalization in FY 2023-24.

The Authority upon review of documents submitted by the AO observes that this work is considered as part of the new Terminal Building T3 project with a total estimated CAPEX of ₹18.85 Crores. Further, the Authority notes that this project is primarily towards Car Parking management, wherein certain space has to be provided at the Airport to AAI for use of its Personnel and agents, in accordance with Schedule 3 (office and facilities) of the Concession Agreement. Further, the Authority notes from the information submitted by the AO that the above space which may be provided to AAI's personnel, constitutes 51% of the total car parking space. Based on the above factors, the Authority proposes to consider 51% of the total project costs (₹ 9.61 Crores) as common and apportion the same to Aeronautical activities in the revised ratio of Terminal Building, i.e., 90:10 (refer para 7.4.3 below). The balance 49% which is proposed to be used in the city-side is considered as Non-aeronautical and hence, excluded from the RAB. The allowable CAPEX after allocation to Aeronautical activities in the revised Terminal Building ratio of 90:10 works out to ₹ 8.65 Crores, which the Authority proposes to consider for capitalization in FY 2023-24.

b. **Roads** – The Authority notes that the AO has submitted the estimated cost of ₹ 105.34 Crores for this work towards construction of roads at the North and South sides of the Runway with overall surface area of 1,63,376 Sq.m and includes the carriage way, median and footpath.

Subsequently, based on the detailed working submitted by the AO, the area has been revised to 1,59,627 Sqm. The layout of the Roads is explained in the Map shown below:

Based on the supporting documents provided by the AO and the visit by the Authority to the site, it is observed that the development of the South side is planned in the next Control Period and hence is of the view that, the road at the South side (Road 7) can be shifted to the next Control Period. The Authority also notes that, Road 6 is currently in use only for the public. However, once the land side developments take place, there is likely usage of the road for Non-aeronautical purposes. In view of this, the Authority proposes to consider 50% of this road (Road 06- Peripheral road) as Aeronautical. Further, the Authority observes that the Road 08 connecting to the Road 01 is designed as 4+4 lanes. The Authority is of the view that as Road 08 is connecting to Road 09 and Road 06B, which are only 3+3 lane and not independently serving any area, the Authority proposes to consider Road 08 as 3+3 lanes.

Based on the above proposition, the Authority has computed the total area of roads as 1,10,235.90Sq.m for capitalization in the current Control Period (refer Table 73).

Table 73: Details of Roads at North side accepted by Authority for capitalization in Third Control Period

Road No	Particulars	Lanes	Area proposed by AO (in Sqm)	Area Considered by the Authority for capitalization (in Sqm)
01	Airport Main Approach road from Kanpur Highway	4+4	19,068.30	19,068.30
02	Cargo Approach road from Shaheed path side	3+3	9,220.40	9,220.40

Road No	Particulars	Lanes	Area proposed by AO (in Sqm)	Area Considered by the Authority for capitalization (in Sqm)
03	Road connecting Cargo complex to the road leading to Terminal Building	3+3	21,816.00	21,816.00
03A	-do-		1,668.00	1,668.00
03B	-do-		2,861.00	2,861.00
03C	-do-		677.00	677.00
04	Peripheral road leading to Cargo	2+2	5,172.00	5,172.00
06	Peripheral road starting from Kanpur Highway.	2+2	16,718.00	16,718.00
06A	Peripheral road to Road 6B	2+2	1,858.60	1,858.60
06B	Road connecting to Shaheed Path road on one side to Road 09 on other side.	3+3	6,195.80	6,195.80
06C	Peripheral road starting from Shaheed Path road and leading to Cargo.	2+2	7,469.80	7,469.80
07	South side Perimeter road	2+2	46,605.00	Nil
08	Road connecting Cargo Approach road and Airport Main Approach road	4+4	16,320.00	13,534
09	Road connecting Road 08 and Road 6B	3+3	3,977.00	3,977.00
Total			**1,59,626.90**	**1,10,235.90**

The Authority noted that the AO had submitted the average Unit rate for construction of Roads as ₹ 6,700 per Sq.m, wherein the AO has considered the cost of drainage as 25%. However, the Authority proposes to consider drainage as 12.5%, based on the generally followed practices and various assessments. Accordingly, the Authority has derived the average unit cost as ₹ 6,100 per Sq.m and proposes to allow the project cost as ₹ 67.24 Crores (1,10,235.90 Sq.m x ₹ 6,100 per Sq.m) for capitalization in the current Control Period.

Further, the Authority proposes to apportion the cost of this project to Aeronautical activities in the Terminal Building ratio of 90:10 (refer para 7.4.3 below) for all the roads except for Road 06, which has been apportioned in the ratio of 50:50 (Aeronautical: Non-aeronautical activities), as explained in the above paragraph.

The allowable CAPEX derived based on aforementioned ratio works out to ₹ 56.44 Crores, which the Authority proposes to consider for capitalization in FY 2022-23 for ₹ 30 Crores and in FY 2023-24 for ₹ 26.44 Crores.

B8: Construction of Boundary walls – the work towards Construction of boundary walls is as follows:

a. **Demolition of existing boundary wall** for ₹ 0.63 Crores has been proposed by the Airport Operator for capitalization in FYs 2022-23 and 2024-25.

   The Authority notes that, in order to construct the boundary wall as per the standard specifications, some portion of the existing boundary wall is required to be demolished. However, the Authority observes that the dismantled material is available for reuse and effectively no cost is involved for the demolition work. Accordingly, the Authority proposes not to consider the same for capitalization.

b. **Airport boundary wall** for ₹ 3.61 Crores has been proposed by the Airport Operator for capitalization in FY 2022-23. The Authority observes that the AO has estimated the aforementioned cost towards construction of length of 3,925 m of the Airside boundary wall and finds the estimate to be reasonable. Further, considering the safety and security requirements of the operational area, the Authority proposes to consider the same during this Control Period. However, the Authority proposes to treat the CAPEX as 100% Aeronautical (refer para 7.4.2 below) in comparison with 94.86% considered by the AO.

c. **Landside boundary wall / landside airport compound wall** for ₹ 8.60 Crores has been proposed by the AO over two tariff years, namely FY 2023-24 and FY 2025-26. The Authority observes that the AO has projected the cost towards construction of length of 6,050 m of the landside compound wall. However, the Authority notes that the aforementioned project pertains to the landside, which is outside the purview of the regulatory framework and hence it proposes to exclude this asset from RAB.

B9: Information Technology works – the work towards Information Technology is as follows:

a. **Upgradation of IT systems** have been projected by the Airport Operator for total cost estimate of ₹ 3.79 Crores distributed over 2 FYs, namely FY 2022-23 and FY 2023-24 and

b. **Other IT works for** ₹ 3.84 Crores in FY 2021-22

   The Authority has reviewed the detailed list provided by the AO and observes that the projects proposed by the AO for both S.no. (a) and (b) are in the nature of regular IT refresh and upgradation of various IT Infrastructure, Software and equipment which are minor requirements. Further, the Authority notes that the project includes replacement of certain IT assets, spares and certain security related items. Based on the above factors, the Authority proposes to consider approximately 50% of the proposed capital expenditure (as it involves creation of asset) for capitalization in this Control Period.

   Accordingly, the Authority proposes ₹ 2 Crores for upgradation of IT system distributed over 2 FYs, i.e., FY 2022-23 and FY 2023-24 and ₹ 2 Crores for Other IT works in the FY 2021-22 with the overall Capex totaling to ₹ 4 Crores.

   Further, the Authority notes that the AO has submitted vide e-mail dated January 26, 2023, that the actual CAPEX is ₹ 1.66 Crores towards 'Other IT works' for the FY 2021-22, which the Authority proposes to consider and accordingly, the balance CAPEX of ₹ 0.34 Crores has been considered for capitalization in the next tariff year, i.e., FY 2022-23. The Authority also proposes to apportion the same to Aeronautical activities in the Terminal Building ratio of 90:10 (refer para 7.4.3 below).

B10: Environmental Projects – the work towards Environmental Projects is as follows:

a. **Development of Rainwater harvesting pond** for ₹ 4.17 Crores in FY 2024-25 – The Authority would like to state that though it supports such Environmental Sustainability projects, it is of the view that water ponds at the airport may attract birds, thus entailing higher risk on operational activities. Moreover, the rainwater recharge system is already being provided in the rainwater drains. Hence, the Authority feels that the feasibility of providing water ponds at the Airport and its impact on bird activities and also the feasibility of making a vertical recharge system needs to be examined by the AO. Accordingly, the Authority proposes not to consider this project in this Control Period.

b. **Corporate environment responsibility** for ₹ 6.76 Crores has been proposed by the AO over four tariff years from FY 2021-22 to FY 2024-25. The Authority notes that, as per the statutory norms, 0.25% of the cost of major projects have to be used for environmental related works. Accordingly, the Authority proposes to allow this Capex but restrict it to ₹ 5 Crores during the current Control Period, as it considers the same to reasonable and justified for this project. Further, the Authority proposes to distribute the amount of ₹ 5 Crores equally over the four tariff years as claimed by the AO.

c. **Triturator –** costing ₹ 4.90 Crores has been projected for capitalization by the Airport Operator in the FY 2024-25.

The Authority notes that the AO has projected an amount of ₹ 4.90 Crores for Triturator in this Control Period. Triturator is an automated and closed airliner waste disposal system, which drains the contents of the lavatory vehicles into the sewer system with minimal odour or risk of spills. Further, the Authority observes that currently aircraft waste is being dumped in the sewage line next to Terminal 1 which will get demolished as soon as Phase 1 of Terminal 3 is commissioned. Hence, there is a need for provision of the Triturator prior to commissioning of T3.

This facility has been planned by the AO on the western edge of the Airport, near the T3 GSE area on a site of 420 sqm. Liquid waste from aircraft shall be treated at Triturator as a primary treatment and further will be pumped to STP for secondary treatment. The Authority reviewed the physical progress through its Independent Consultant and is of the view that a small package type STP for Triturator can be planned and implemented by the AO. Based on the same, the Authority feels that the estimated cost is on the higher side and hence, proposes to revise it to ₹ 3 Crores, as appropriate for capitalization in the current Control Period in the FY 2024-25.

d. **Solid Waste Management facility** – AO has claimed an amount of ₹ 2.07 Crores towards Solid Waste Management facility. The Authority after examining the project details notes that it is a statutory requirement and therefore, proposes to consider capitalization of the same in the Terminal Building ratio of 90:10 (refer para 7.4.3 below). The allowable aeronautical cost for this project has been derived by the Authority as ₹ 0.60 Crores in FY 2023-24 and ₹ 1.26 crores in the FY 2024-25.

B11: Other Associated Works – the work towards other associated works is as follows:

a. **New Airside gates 2 nos** for ₹ 3.29 Crores has been proposed by the AO over 2 Fys, i.e., FY 2022-23 and FY 2024-25. The AO has planned for two new airside gates with security checking arrangements as per the specification of BCAS. However, the Authority is of the view that an amount of ₹ 0.50 Crores towards cost per gate is reasonable. Hence, the Authority proposes two such gates at an estimated total cost of ₹ 1 Crore for capitalization in the current Control period.

b. **Miscellaneous works** for ₹ 30.84 Crores has been claimed by the Airport Operator for capitalization across four tariff years, i.e., FY 2021-22 and from FY 2023-24 to FY 2025-26.

The Authority examined the detailed list of works and explanation provided by the Airport

Operator and based on its analysis, the Authority proposes to allow CAPEX of ₹ 8.18 Crores towards the aforementioned Miscellaneous works. The details of the same are as follows:

Table 74: Project wise Miscellaneous items of Other Associated Works 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**	**Authority's proposal**
Distribution Network For All Utilities	-	-	0.38	1.64	-	2.02	It is planned to provide distribution channels for utilities such as Hazardous Waste Storage, Solid Waste Facility and Triturator. It is a requirement which is common for the three infrastructure and the expected cost is also found to be reasonable. Hence, the estimated cost is recommended for capitalisation.
Apron Control	-	-	-	5.10	-	5.10	Existing Apron Control is in the footprint of Parallel Taxi Track which needs to be demolished as a part of the Master Plan. For smooth functioning of airside operation, a new Apron Control is needed at the airside by improving the FIDS and technical upgradation of AOCC The estimated cost is reasonable and hence, recommended for capitalization.
Bollard and Tyre killers at gate no 2.	-	1.06	-	-	-	1.06	There are no Bollard and Tyre killers installed at Gate number 2. This non-compliance has been observed by BCAS. Hence the work has to be carried out. The estimated cost is reasonable and hence, recommended.
Total	-	**1.06**	**0.38**	**6.74**	-	**8.18**	

7.3.8. The Authority has not considered the remaining items projected by the AO, such as CCR building only civil work, BMA toilet civil works, VHF antenna, Porta cabin, Additional ticketing counter, Dwarf grass variety development at runway and taxiway, Expansion of Security hold area in Terminal 2, Grading/earth filling and Security wall & fence for UPCAD, as the same have not been justified by the AO, based on essentiality and reasonableness of CAPEX projects.

However, the Authority notes that the AO vide e-mail dated January 26, 2023 has submitted the actual CAPEX as ₹ 8.45 Crores in the first tariff year, i.e., FY 2021-22, which the Authority proposes to consider. However, the Authority proposes not to consider any further amount for capitalization of this project for the remaining tariff years.

7.3.9. Based on the above proposals, the summary of New Capital Expenditure projects proposed by the Authority for the Third Control Period is as follows:

Table 75: Summary of New Capital Expenditure projects proposed by the Authority for the Third Control Period

(₹ Crores)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
B. New Capital expenditure proposed for the Third Control Period								
B.	B1.	New Capital expenditure proposed for the Third Control Period	**Runways, Taxiway and Apron**					
			Apron and Taxiway related to T3, Cargo, West Side and East Side	2022-23	2023-24	180.77	120.08	(60.69)
				2024-25	2024-25	40.93	77.63	36.70
			Development of RESA for Runway 09	2022-23	2022-23	10.90	3.00	(7.90)
			GSE Staging – East & West side (Rigid Pavement)	2024-25	-	20.45	-	(20.45)
			Runway Overlay	2025-26	2025-26	40.00	40.00	-
			CBR Value of Basic Strip	2022-23	-	25.00	-	(25.00)
				2023-24	-	10.00	-	(10.00)
			Miscellaneous works	2021-22	-	0.55	-	(0.55)
				2022-23	-	6.56	-	(6.56)
				2024-25	-	1.53	-	(1.53)
			Total – Runways, Taxiways & Apron			**336.69**	**240.71**	**(95.98)**
	B2.		**Terminal Building**					
			Various terminal improvement works	2021-22	2021-22	0.95	3.08	2.13
			Total – Terminal Building			**0.95**	**3.08**	**2.13**
	B3.		**Other Services (Cargo facility and Fuel farm)**					
			New Integrated Cargo facility	2023-24	2023-24	38.38	38.38	-
			Equipment for New Integrated Cargo Facility	2023-24	2023-24	4.49	4.49	-
			Purchase of assets of existing Oil Marketing Companies (OMCs)	2022-23	2022-23	24.50	21.50	(3.0)
			Building of new assets for Open Access Fuel Facility operations	2023-24	2023-24	193.00	130.00	(63.00)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
			Total – Other Services			**260.37**	**194.37**	**(66.00)**
	B4.		**Security Equipment**					
			Crash Fire Tender	2024-25	2024-25	17.08	18.00	0.92
				2025-26	2025-26	8.54	9.00	0.46
			PIDS with CCTV Camera	2024-25	-	19.92	-	(19.92)
			BDDS Equipment’s (Set)	2022-23	2022-23	8.54	9.00	0.46
			Body Scanner	2023-24	2023-24	11.38	6.00	(5.38)
				2024-25	2024-25	17.08	9.00	(8.08)
			Miscellaneous equipment	2021-22	2021-22	3.33	1.76	(1.57)
				2022-23	2022-23	7.63	4.02	(3.61)
				2023-24	2023-24	2.81	1.48	(1.33)
				2024-25	2024-25	0.72	0.38	(0.34)
				2025-26	2025-26	1.29	0.68	(0.61)
			Total – Security Equipment			**98.31**	**59.32**	**(38.99**
	B5.		**Plant and Machinery**					
			Runway sweeping machine	2022-23	2022-23	4.74	5.00	0.26
			Disabled aircraft removal kit.	2022-23	2023-24	9.49	-	(9.49)
			Rubber removal Machine	2022-23	2022-23	6.17	6.50	0.33
			Widening of Perimeter road and Emergency access road parallel to Terminal	2022-23	2022-23	7.59	2.00	(5.59)
				2023-24	2023-24	10.53	2.00	(8.53)
			Cable duct for AGL cables	2022-23	-	1.90	-	(1.90)
				2023-24	-	4.74	-	(4.74)
			Service corridor between road and Boundary wall	2022-23	-	0.95	-	(0.95)
				2023-24	-	7.59	-	(7.59)
			LED type AGL lights	2022-23	2022-23	1.90	2.00	0.10
				2023-24	2023-24	1.90	2.00	0.10
				2024-25	-	1.90	-	(1.90)
				2025-26	-	1.90	-	(1.90)
			Replacement of transformer housing boxes of	2022-23	-	2.85	-	(2.85)
				2023-24	-	1.90	-	(1.90)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
			Runway Edge Light					
			Turning pad for runway 27 & 09	2022-23	2022-23	3.79	2.00	(1.79)
				2023-24	2023-24	17.08	3.00	(14.08)
			Miscellaneous items	2021-22	2021-22	8.83	8.02	(0.81)
				2022-23	2022-23	9.07	1.64	(7.43)
				2023-24	2023-24	4.50	0.80	(3.70)
				2024-25	2024-25	4.41	0.40	(4.01)
				2025-26	2025-26	0.47	0.50	0.03
			Total – Plant & Machinery			**114.19**	**35.86**	**(78.33)**
	B6.		**Green Initiatives**					
			Conversion of airport owned conventional vehicles operated on fossil fuels to Electric vehicles	2023-24	2023-24	2.08	2.08	0.00
			Conversion of CO2 type fire extinguishers to lower GWP	2023-24	2023-24	0.13	0.13	0.00
			Conversion of High Global Warming Potential (GWP) refrigerant to lower GWP refrigerant 29 R22 refrigerants replaced with lower GWP refrigerant	2023-24	2023-24	0.14	0.14	0.00
			Infrastructure for Electric vehicle charging stations	2023-24	-	0.60	-	(0.60)
			Total Green Initiatives			**2.95**	**2.35**	**(0.60)**
	B7.		**Roads**					
			Transportation Management	2023-24	2023-24	17.88	8.65	(9.23)
			Roads	2022-23	2022-23	23.79	30.00	6.21
				2023-24	2023-24	33.91	26.44	(7.47)
				2025-26	2025-26	47.65	-	(47.65)
			Total – Roads			**123.22**	**65.09**	**(58.13)**
	B8.		**Boundary Wall**					
				2022-23	2022-23	0.57	-	(0.57)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
			Demolition of existing boundary wall	2024-25	2024-25	0.06	-	(0.06)
			Airport boundary wall	2022-23	2022-23	3.61	3.81	0.20
			Landside Boundary Wall / Landside Airport Compound Wall	2023-24	-	5.57	-	(5.57)
				2025-26	-	3.04	-	(3.04)
			Total – Boundary walls			**12.84**	**3.81**	**(9.03)**
	B9.		**Information Technology Works**					
			Upgradation of IT system	2022-23	2022-23	1.52	0.72	(0.80)
				2023-24	2023-24	2.28	1.08	(1.20)
			Other IT works	2021-22	2021-22	3.84	1.49	(2.35)
				-	2022-23	-	0.33	0.33
			Total – Information Technology			**7.64**	**3.62**	**(4.02)**
	B10.		**Environment Projects**					
			Development Of Rain Water Harvesting Pond	2024-25	-	4.17	-	(4.17)
			Corporate Environment Responsibility	2021-22	2021-22	1.73	1.25	(0.48)
				2022-23	2022-23	1.73	1.25	(0.48)
				2023-24	2023-24	1.73	1.25	(0.48)
				2024-25	2024-25	1.58	1.25	(0.33)
			Triturator	2024-25	2025-26	4.90	3.00	(1.90)
			Solid waste management facility	2023-24	2023-24	0.64	0.60	(0.04)
				2024-25	2024-25	1.33	1.26	(0.07)
			Total – Environment Projects			**17.80**	**9.86**	**(7.94)**
	B11.		**Other Associated works**					
			New Airside Gates – 2 Nos Water disposal and supply	2022-23	2022-23	1.65	1.00	(0.65)
				2024-25	-	1.65	-	(1.65)
			Miscellaneous works – others	2021-22	2021-22	1.27	8.45	7.18
				2023-24	-	26.46	-	(26.46)
				2024-25	-	1.56	-	(1.56)
				2025-26	-	1.54	-	(1.54)
			Total – Other Associated Works			**34.13**	**9.45**	**(24.68)**

Reference	Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
			Submitted by AO	Proposed by Authority			
		Total Project Cost of New CAPEX projects claimed by AO (B)			**1,008.94**	**627.52**	**(381.42)**

7.3.10. The Authority has proposed to consider New Capex Projects as per Table 75 for ₹ 627.52 Crores.

7.3.11. **Cost claimed towards technical services, PMC, Preliminaries and Pre-operatives, Contingencies, Statutory approvals, Labour cess, Site-preparation, Insurance etc.,**

a. The Authority observes that the Airport Operator has claimed ₹ 523.07 Crores towards Technical services, PMC, Preliminaries & Pre-operatives, Contingencies, Insurance, etc., for all the projects included under Categories A and B. The aforementioned amount includes the following costs:

i. PMC charges of ₹ 130.38 Crores in respect of new Terminal Building T3 estimated by the AO based on the agreement entered into between AAI and M/s. Egis India Consulting Engineers Pvt Ltd in April 2017, the PMC contractor appointed for the T3 project. The amount of ₹ 130.38 Crores has been projected as per the agreed contract terms of 6.9% on the base cost of Civil and Electrical & mechanical works awarded to the main contractor, namely, M/s. NCC, by the AO and

ii. Remaining amount of ₹ 392.69 Crores towards other costs such as contingencies, insurance and pre-operatives, etc. which works to approximately 10% on the base cost of all the Capex Projects.

iii. Hence, the total amount of ₹ 523.07 Crores works out to approximately 13.50% on the total estimated base cost of all the Capex projects.

b. Apart from the above, the Authority notes that the cost of Independent Engineer appointed by AAI for three (3) years is ₹ 10.40 Crores and the same has been projected by Airport Operator for the next two tariff years including inflation of 5.2% for the two tariff years. The Authority observes that the total cost of Independent Engineer for the entire Third Control period as derived by the AO works out to ₹ 17.69 Crores and the same is considered as a pass-through as per the Clause 24.3.1 of the Concession Agreement.

c. The Authority upon review of AO's explanation and relevant documents has the following views:

i. In respect of ₹ 523.07 Crores claimed by the AO towards PMC and other costs, the Authority notes that for other PPP airports such as HIAL, BIAL, DIAL etc. the above-mentioned costs had been considered in the past in the range of 8% - 11% of the project costs. The Authority is of the view that 13.50% claimed by the Airport Operator is on the higher side, as compared to other PPP Airports and hence not justified. Accordingly, the Authority proposes to consider the aforementioned costs to the extent of 8% of the Aero CAPEX of the projects allowed by the Authority for the current Control Period. The Authority has thus derived the amount proposed to be allowed towards the aforementioned costs as ₹ 195.76 Crores, as against ₹ 523.07 Crores claimed by the AO.

ii. The decrease in such costs is mainly on account of applying 8% on the 'allowable' Aero Capex as against 13.50% claimed by AO and the reduction in Aero Capex considered by the Authority due to shifting/ disallowance of some projects such as Phase II of new Terminal Building T3, Rainwater Harvesting, landside boundary wall, , Development of RESA, GSE staging, Miscellaneous works under Plant and Machinery, Other Buildings, etc., as well as rationalization of certain others during the Third Control Period such as, Apron works, Security equipment, IT equipment, Roads etc.

iii. The cost of Independent Engineer appointed by– AAI – As per Clause 24 of the Concession Agreement, Independent Engineer has to be appointed by AAI and remuneration shall be paid by AAI which in turn shall be reimbursed by the Airport Operator to AAI such Independent Engineer is required to be engaged throughout the period of the Concession Agreement. Further, as per Clause 24.3.1 of the Concession Agreement, this cost has to be considered as a pass-through by the Regulator. Clause 24.3.1 states that:

"The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator".

The relevant Clauses of the CA pertaining to appointment, duties of the Independent Engineer as well as their 'Role and functions' under Schedule L are provided in paras 17.3.12 and 17.3.13 under Chapter 17 of this Consultation Paper.

The Authority notes that AAI had appointed Engineering Projects India Limited as the Independent Engineer from date of COD with the responsibility of reviewing the projects being carried out by the Airport Operator on site and submitting necessary reports to the Airport Operator. The Authority had convened a meeting with the Independent Engineer to review the work performed by them.

The Authority also notes that as per Clause 24 and Schedule K, AAI is required to appoint the Independent Engineer initially for a period of 3 years and thereafter for every 3 years. AAI has executed the contract with the Independent Engineer for which a fee of ₹ 17.69 Crores has been projected for the Third Control period by the Airport Operator including inflation of 5.2% for the last two tariff years

However, the Authority proposes not to allow inflation of 5.2% and retain the amount originally awarded by AAI proportionately for the last two tariff years. Based on the same, the Authority proposes to allow an amount of ₹ 17.35 Crores towards Independent Engineer's consultancy charges and further consider the same while determining the Aggregate Revenue Requirement (ARR) of CCSIA, Lucknow for the Third Control Period.

7.3.12. The Authority proposes to reduce 1% of the uncapitalised project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalisation schedule. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, due to any reason beyond the control of the Airport Operator or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by the AO and is also encouragement for the AO to commission/ capitalize the proposed assets as per the approved CAPEX plan/ schedule.

Financing allowance / IDC

7.3.13. The Airport Operator had claimed Financing allowance of ₹ 464.95 Crores for the CAPEX projects in its revised MYTP submitted on January 10, 2022 which had been calculated on the average Capital Work in Progress (CWIP) of the entire project funds (funded out of debt and equity), at the rate of 12% (which is cost of debt). As against this, the Airport Operator in their revised CAPEX submission dated June 23, 2022 has claimed both Financing allowance and Interest During Construction (IDC) amounting to ₹ 617.80 Crores, on the average Capital Work in Progress (CWIP). In this respect, the Authority notes that the Financing allowance has been calculated on 35% equity portion and IDC on 65% debt portion of the entire project funds, with the cost of debt being considered as 12% for both.

The Authority examined the AO's claim as well as the justification provided for the same in detail and has summarized its view as shown below:

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

Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for execution of a project.

- AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on equity portion of the capital expenditure. The proviso to Section 13 (1) (a) states that "different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii) of Section 13 (1) (a)".
- In respect of IDC, the Authority is inclined to allow the same and accordingly, the Authority has considered IDC to be provided on the debt portion of the value of average CWIP derived on the basis of revised Capitalization schedule proposed by the Authority. Further, the Authority proposes to consider the notional gearing ratio (debt-equity ratio of 48:52) followed for other PPP airports and cost of debt @ 9% (refer Table 89 of Chapter 8) for the Third Control Period for calculating the value of IDC. Based on the same, the Authority has derived an amount of ₹ 161.57 Crores and proposes to allow the same as against ₹ 617.80 Crores (as Financing Allowance and IDC) claimed by the Airport Operator for the Third Control Period.

7.3.14. The Authority notes that the Airport Operator has not paid any GST amount (on the value of RAB and CWIP invoices) to AAI. Further, in future, if AAI is required to bear the GST, then based on the indemnity bond provided by the AO, the same will be recovered by AAI from the Airport Operator. As the GST amount has not been paid by the Airport Operator, the Authority has not considered the same for determining RAB for the Third Control Period. However, the Authority will consider the statutory payments relating to GST amount on RAB and CWIP invoices, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff of the next Control Period.

7.3.15. In respect of stamp duty and registration charges on the CA, the Authority notes that as per the terms of the CA, the Airport operator is required to pay the applicable duty and charges and has applied to the State Authority for assessment of the stamp duty amount. However, the Authority notes that Airport Operator has not paid the amount, as the assessment order has not been received from State Authority. Hence, the Authority has not considered the same as part of RAB for the Third Control Period. However, the Authority will consider the stamp duty and registration charges on the CA, if required so, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff of the next Control Period.

7.3.16. The Authority notes that the Airport Operator would be eligible to claim GST Input Tax Credits on procurement of certain movable property. The Authority expects that the Airport Operator would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods And Services Tax Act, 2017 at the time of true up of the RAB for the Third Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the Fourth Control Period.

7.3.17. The Authority further notes that within a span of 6 months (between submission of revised MYTP by AO on January 10, 2022 and revised CAPEX schedule as on June 23, 2022), there has been several changes to the CAPEX projects, wherein some projects have been dropped and the value of some projects have increased. Many capital projects were shown as new capital expenditure, whereas major part of the same already exist at the Airport, including procurement. The trend of revisions to the capital projects and projecting factually incorrect capital projections, inconclusive design reports does not instill confidence in the Authority about the near-term and long-term project planning process. In this background, the AO needs to strengthen its Project design and CAPEX projections capabilities.

7.3.18. In accordance with above, the Authority proposes the Total Aeronautical Capital Expenditure for the Third Control Period as per the table below:

Table 76: Total Aeronautical Capital Expenditure (project wise) proposed by the Authority for CCSIA, Lucknow for the Third Control Period

(₹ Crores)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
A. Projects initiated in Pre-COD Period and mandated to be executed in Third Control Period								
A.	A1	Capital Addition projects initiated by AAI in Pre-Control Period and being executed in Third Control Period	**Runways, Taxiway & Apron**					
			Apron Work: Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways	2021-22	-	11.38	21.12	-
				2022-23	2022-23	9.74		
			Apron Work: Providing of CAT-III B Lighting	2022-23	2022-23	3.90	3.90	-
			Apron work: Augmentation of Power Supply	2022-23	2022-23	5.15	5.15	-
			Total – Runways, taxiway & Apron			**30.17**	**30.17**	**-**
	A2		**Terminal Building**					
			Construction of New Integrated Terminal Building T3	2023-24	2024-25	2,153.96	1,628.26	**(779.08)**
				2024-25		253.38		
			Total – Terminal Building T3			**2,407.34**	**1,628.26**	**(779.08)**
	A3.		**Green Initiatives**					
			Solar PV 3 MW solar plant	2024-25	2024-25	19.92	12.15	(7.77)
			Total – Green Initiatives			**19.92**	**12.15**	**(7.77)**
	A4.		**Other Services**					
			Interim Cargo facility	2021-22	2021-22	3.40	3.02	(0.38)
				2022-23	2022-23	0.82	1.20	0.38
			Total – Other Services			**4.22**	**4.22**	-
	A5.		**Plant and Machinery**					
			Shifting of CCR System, Provision of 33 KV Service Connection, Provision	2022-23	2022-23	29.90	28.37	(1.53)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
			of HT Panel at Terminal-2 Substation					
			Total – Plant and Machinery			**29.90**	**28.37**	**(1.53)**
	A6.		**External Services**					
			Construction of Drain in Operational & Non-Operational area i/c survey work at CCSI	2022-23	2023-24	100.00	75.00	(25.00)
			Total – External Services			**100.00**	**75.00**	**(25.00)**
	A7.		**Other Associated Works**					
			Construction of New Sub Fire Station (CAT-IV) and (Cat IX), Emergency Medical Centre and E&M workshop	2021-22	2022-23	4.60	23.70	1.22
				2022-23		17.88		
			Elevated Road associated with T3*	2023-24	-	279.84	-	(279.84)
			Expansion of existing isolation bay : SH Civil works	2023-24	2021-22	16.75	17.66	0.91
			Construction of Property wall around AAI land at C.C.S.I. Airport, Lucknow (Deposit work to UPRNNL)	2023-24	-	4.77	-	(4.77)
			Total – Other Associated Works			**323.85**	**41.36**	**(282.49)**
			Total Project Cost - AAI initiated projects (A)			**2,915.41**	**1,819.53**	**(1,095.87)**
B. New Capital expenditure proposed for the Third Control Period								
B.	B1.	New Capital expenditure proposed for the Third Control Period	**Runways, Taxiway and Apron**					
			Apron and Taxiway related to T3, Cargo, West Side and East Side	2022-23	2023-24	180.77	120.08	(60.69)
				2024-25	2024-25	40.93	77.63	36.70
			Development of RESA for Runway 09	2022-23	2022-23	10.90	3.00	(7.90)
			GSE Staging – East & West side (Rigid Pavement)	2024-25	-	20.45	-	(20.45)
			Runway Overlay	2025-26	2025-26	40.00	40.00	-
			CBR Value of Basic Strip	2022-23	-	25.00	-	(25.00)
				2023-24	-	10.00	-	(10.00)
			Miscellaneous works	2021-22	-	0.55	-	(0.55)
				2022-23	-	6.56	-	(6.56)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
				2024-25	-	1.53	-	(1.53)
			Total – Runways, Taxiways & Apron			**336.69**	**240.71**	**(95.98)**
	B2.		**Terminal Building**					
			Various terminal improvement works	2021-22	2021-22	0.95	3.08	2.13
			Total – Terminal Building			**0.95**	**3.08**	**2.13**
	B3.		**Other Services (Cargo facility and Fuel farm)**					
			New Integrated Cargo facility	2023-24	2023-24	38.38	38.38	-
			Equipment for New Integrated Cargo Facility	2023-24	2023-24	4.49	4.49	-
			Purchase of assets of existing Oil Marketing Companies (OMCs)	2022-23	2022-23	24.50	21.50	(3.0)
			Building of new assets for Open Access Fuel Facility operations	2023-24	2023-24	193.00	130.00	(63.00)
			Total – Other Services			**260.37**	**194.37**	**(66.00)**
	B4.		**Security Equipment**					
			Crash Fire Tender	2024-25	2024-25	17.08	18.00	0.92
				2025-26	2025-26	8.54	9.00	0.46
			PIDS with CCTV Camera	2024-25	-	19.92	-	(19.92)
			BDDS Equipment's (Set)	2022-23	2022-23	8.54	9.00	0.46
			Body Scanner	2023-24	2023-24	11.38	6.00	(5.38)
				2024-25	2024-25	17.08	9.00	(8.08)
			Miscellaneous equipment	2021-22	2021-22	3.33	1.76	(1.57)
				2022-23	2022-23	7.63	4.02	(3.61)
				2023-24	2023-24	2.81	1.48	(1.33)
				2024-25	2024-25	0.72	0.38	(0.34)
				2025-26	2025-26	1.29	0.68	(0.61)
			Total – Security Equipment			**98.31**	**59.32**	**(38.99)**
	B5.		**Plant and Machinery**					
			Runway sweeping machine	2022-23	2022-23	4.74	5.00	0.26
			Disabled aircraft removal kit.	2022-23	-	9.49	-	(9.49)
			Rubber removal Machine	2022-23	2022-23	6.17	6.50	0.33

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
			Widening of Perimeter road and Emergency access road parallel to Terminal	2022-23	2022-23	7.59	2.00	(5.59)
				2023-24	2023-24	10.53	2.00	(8.53)
			Cable duct for AGL cables	2022-23	-	1.90	-	(1.90)
				2023-24	-	4.74	-	(4.74)
			Service corridor between road and Boundary wall	2022-23	-	0.95	-	(0.95)
				2023-24	-	7.59	-	(7.59)
			LED type AGL lights	2022-23	2022-23	1.90	2.00	0.10
				2023-24	2023-24	1.90	2.00	0.10
				2024-25	-	1.90	-	(1.90)
				2025-26	-	1.90	-	(1.90)
			Replacement of transformer housing boxes of Runway Edge Light	2022-23	-	2.85	-	(2.85)
				2023-24	-	1.90	-	(1.90)
			Turning pad for runway 27 & 09	2022-23	2022-23	3.79	2.00	(1.79)
				2023-24	2023-24	17.08	3.00	(14.08)
			Miscellaneous items	2021-22	2021-22	8.83	8.02	(0.81)
				2022-23	2022-23	9.07	1.64	(7.43)
				2023-24	2023-24	4.50	0.80	(3.70)
				2024-25	2024-25	4.41	0.40	(4.01)
				2025-26	2025-26	0.47	0.50	0.03
			Total – Plant & Machinery			**114.19**	**35.86**	**(78.33)**
	B6.		**Green Initiatives**					
			Conversion of airport owned conventional vehicles operated on fossil fuels to Electric vehicles	2023-24	2023-24	2.08	2.08	0.00
			Conversion of CO2 type fire extinguishers to lower GWP	2023-24	2023-24	0.13	0.13	0.00
			Conversion of High Global Warming Potential (GWP) refrigerant to lower GWP refrigerant 29 R22 refrigerants replaced with lower GWP refrigerant	2023-24	2023-24	0.14	0.14	0.00
			Infrastructure for Electric vehicle charging stations	2023-24		0.60	-	(0.60)
			Total Green Initiatives			**2.80**	**2.35**	**(0.45)**

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
	B7.		**Roads**					
			Transportation Management	2023-24	2023-24	17.88	8.65	(9.23)
			Roads	2022-23	2022-23	23.79	30.00	6.21
				2023-24	2023-24	33.91	26.44	(7.47)
				2025-26	-	47.65	-	(47.65)
			Total – Roads			**123.22**	**65.09**	**(58.13)**
	B8.		**Boundary Wall**					
			Demolition of existing boundary wall	2022-23	-	0.57	-	(0.57)
				2024-25	-	0.06	-	(0.06)
			Airport boundary wall	2022-23	2022-23	3.61	3.81	0.20
			Landside Boundary Wall / Landside Airport Compound Wall	2023-24	-	5.57	-	(5.57)
				2025-26	-	3.04	-	(3.04)
			Total – Boundary walls			**12.84**	**3.81**	**(9.03)**
	B9.		**Information Technology Works**					
			Upgradation of IT system	2022-23	2022-23	1.52	0.72	(0.80)
				2023-24	2023-24	2.28	1.08	(1.20)
			Other IT works	2021-22	2021-22	3.84	1.49	(2.35)
			Other IT works	-	2022-23	-	0.33	0.33
			Total – Information Technology			**7.64**	**3.62**	**(4.02)**
	B10.		**Environmental Projects**					
			Development Of Rain Water Harvesting Pond	2024-25	-	4.17	-	(4.17)
			Corporate Environment Responsibility	2021-22	2021-22	1.73	1.25	(0.48)
				2022-23	2022-23	1.73	1.25	(0.48)
				2023-24	2023-24	1.73	1.25	(0.48)
				2024-25	2024-25	1.58	1.25	(0.33)
			Triturator	2024-25	2025-26	4.90	3.00	(1.90)
			Solid waste management facility	2023-24	2023-24	0.64	0.60	(0.04)
				2024-25	2024-25	1.33	1.26	(0.07)
			Total – Environment Projects			**17.80**	**9.86**	**(7.94)**
	B11.		**Other Associated works**					
			New Airside Gates – 2 Nos	2022-23	2022-23	1.65	1.00	(0.65)
			Water disposal and supply	2024-25	-	1.65	-	(1.65)
			Miscellaneous works – others	2021-22	2021-22	1.27	8.45	7.18
				2023-24 2024-25 2025-26	-	26.46 1.56 1.54	-	(26.46) (1.56) (1.54)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AO (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AO	Proposed by Authority			
			Total – Other Associated Works			**34.13**	**9.45**	**(24.68)**
			Total Project Cost – New Capex projects (B)		-	**1,008.94**	**627.52**	**(381.42)**
			Total Project Cost of AAI hand-over and New Capex Projects (C = A + B)			**3,924.34**	**2,447.05**	**(1,477.29)**
			Add: Cost towards Proportionate Technical Services like PMC & Design, Preliminaries, Insurances / Statutory Approvals, Labour cess, Site-preparation, Contingencies, Pre-Operatives, etc claimed on the above New Capital Expenditure Projects (D) (refer para 7.3.11 above)			523.06	195.76	(327.31)
			Financing Allowance / IDC I (refer para 7.3.13 above)			617.80	161.57	(456.23)
	Grand Total – AAI hand-over projects and New Capital Expenditure for the Third Control Period (C + D + E)					**5,065.20**	**2,804.39**	**(2,260.81)**

Year-wise Capitalization of Assets is as follows (₹ *Crores*):

FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	TOTAL
72.42	**225.16**	**517.66**	**1,933.62**	**55.53**	**2,804.39**

* *Considered based on actuals.*

7.3.19. The Authority proposes to consider capitalization of Aeronautical Expenditure for CCSIA, Lucknow for the Third Control Period as ₹ 2,804.39 Crores (refer Table 76).

7.3.20. The Authority based on its examination of the MYTP and due diligence of the supporting documents relating to CAPEX submitted by the Airport Operator from time to time, has rationalized the CAPEX as detailed in Table 76. In this regard, the Authority expects quality inputs from all the Stakeholders on the proposals regarding CAPEX laid down in this Consultation Paper.

7.4. Aeronautical Allocation of CAPEX for the Third Control Period

The Authority's examination of allocation of assets between aeronautical and non-aeronautical is as follows:

7.4.1. The Authority notes that the AO has classified asset classes in to aeronautical, non-aeronautical and common. The common assets including the Terminal Building related assets were bifurcated by the Airport Operator assuming a Terminal Area Ratio of 94.86:5.14 (aeronautical: non-aeronautical). The

AO has also submitted a Technical Valuer's report in this regard.

7.4.2. The Authority examined each project individually and classified them between aeronautical, non-aeronautical and common. The Authority is of the view that except for the following assets which are commonly used for both aeronautical and non-aeronautical activities, the other assets should be treated as 100% aeronautical.

i. All IT equipment
ii. Under 'Plant & Machinery'- Solid waste management facility and Shifting of CCR System/Provision of 33 KV Service Connection/Provision of HT Panel in operational area
iii. Roads

7.4.3. The Authority examined the Terminal Area ratio submitted by the AO and observes that the non-aeronautical area allocation considered by the Airport Operator for computation of Terminal Area Ratio was quite low when compared to other PPP airports. The Authority had at the time of determination of tariffs for CCSIA for the Second Control Period decided to consider the Terminal Area Ratio as 92.5:7.5 (aeronautical: non-aeronautical) to encourage growth of non-aeronautical revenues which would cross-subsidize aeronautical charges. The Authority notes that the Airport is yet to achieve such area allocation. Further, in the context of development through PPP mode, it was expected that there would be larger focus on non-aeronautical activities and increased area allocation towards the same. It was observed that the area allocation towards non-aeronautical activities at the other PPP airports such as DIAL, MIAL, BIAL and GHIAL are much higher than 10%. Even the IMG norms on passenger terminals recommend the non-aeronautical area allocation to be between 8-12% for any airport, while for bigger airports, i.e., with passenger traffic exceeding 10 million, commercial area could be up to 20% of the overall area. Hence, the Authority expected the non-aeronautical area allocation at CCSIA to increase in future. Therefore, the Authority proposed to consider the Terminal Area Ratio for CCSIA for the Third Control Period as 90:10 (aeronautical : non-aeronautical).

7.5. Depreciation for the Third Control Period

The Airport Operator's submission of Depreciation for CCSIA, Lucknow the Third Control Period

7.5.1. The Airport Operator follows the policy of determining the rates of depreciation based on the 'useful life' of different asset classes. While submitting the Multi-Year Tariff Proposal for the Third Control Period for CCSIA, the Airport Operator has considered the rates of depreciation approved by the Authority vide Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35 / 2017-18 on 'Determination of Useful Life on Airport Assets'. However, the Airport Operator has considered different rates for certain asset classes based on the recommendations of the "Technical Study report of useful life of assets" submitted by an Independent Expert (Kanti Karamsey & Co., Govt. Registered Valuers) engaged by the Airport Operator in June 2021 and the same are as per the table given below -:

Table 77: Depreciation rates determined by the Airport Operator for the Third Control Period

Asset Class	Depreciation as per AO's submission
Terminal Building	4.00%
Runway, Taxiway and Apron	5.00%
Cargo Building	4.00%
Cargo Equipment	13.33%
Boundary wall	20.00%
Computer Servers, networks, etc.	33.33%

Asset Class	Depreciation as per AO's submission
Computer End-user devices	33.33%
Security equipment	13.33%
Plant and Machinery	13.33%
Other buildings	3.33%
Access road	10.00%
Fuel farm facility assets	13.33%
Furniture & fixtures	14.29%
Vehicles	20.00%
Office Equipment	20.00%

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

7.5.3. For the additions to RAB, the Airport Operator has calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalized in the middle of the Financial Year).

7.5.4. The depreciation amount submitted by the Airport Operator for the Third Control Period has been presented in the table below. The Authority notes that the depreciation shown in below table is related to the Capital additions claimed by the AO as per their revised MYTP dated January 10, 2022 i.e., for an amount of ₹ 4,036.97 Crores and not for the Capital additions claimed in their revised CAPEX schedule submitted on June 23, 2022 with subsequently updated CAPEX for ₹ 5,065.20 crores, as the AO has not submitted the corresponding revised depreciation for the same. Accordingly, the Authority proposes to consider the depreciation claimed by the AO as per their revised MYTP dated January 10, 2022 for its analysis and rationalization.

Table 78: Depreciation submitted by the Airport Operator for CCSIA, Lucknow for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Terminal Buildings	7.30	10.52	46.56	90.28	100.50	**255.16**
Runways/Taxiway/ Apron	4.74	11.33	16.02	19.64	22.55	**74.28**
Cargo Building	-	0.01	0.48	0.93	0.93	**2.36**
Cargo Equipment	0.23	0.52	0.91	1.24	1.24	**4.12**
Boundary wall	0.12	2.17	5.76	7.49	9.24	**24.78**
Software	0.27	0.32	0.32	0.05	-	**0.95**
IT Equipment	0.85	1.74	2.38	3.13	2.81	**10.92**
Security equipment	0.22	1.53	5.35	9.90	12.44	**29.45**
Plant and Machinery	11.85	25.18	41.12	43.41	44.24	**165.81**
Other buildings	0.60	1.71	7.29	12.61	12.90	**35.11**
Access road	0.05	2.06	6.92	10.10	17.25	**36.39**
Fuel	-	1.24	9.39	16.31	16.31	**43.24**
Furniture & fixtures	0.20	0.22	0.22	0.22	0.17	**1.03**
Vehicles	1.57	1.58	1.43	0.10	0.06	**4.75**
Office Equipment	1.06	0.54	0.18	0.13	0.12	**2.04**
TOTAL	**34.65**	**66.25**	**149.92**	**221.12**	**246.35**	**718.29**

Authority's examination regarding Depreciation for the Third Control Period

7.5.5. The Authority noted that Opening RAB has been revised from ₹ 187.76 Crores (submitted by the Airport Operator) to ₹ 183.26 Crores based on adjustments made to the RAB and mentioned as per the Table 37 of this Consultation Paper. The Authority further, notes that on account of revision to the Opening RAB, the depreciation for the Third Control period will also be revised accordingly.

7.5.6. The Authority duly examined the recommendations of the Technical Study Report on 'useful life of assets' submitted by the Airport Operator and observed that the expert appointed by the Airport Operator has prescribed the useful lives of assets component wise after technical assessment.

7.5.7. The Authority noted the methodology adopted by the Valuer to evaluate the useful lives of assets is as follows:

- *"Physical inspection of some of the assets*
- *Detailed discussions with the Projects, Finance & Engineering and Maintenance team of CCSIA, Lucknow and the General Manager (Engineering – Civil) of Airports Authority of India pertaining to usage of the assets.*
- *Guidance for determination of Useful Life given in Depreciation under Companies Act, 2013 Schedule 2, Airports Economic Regulatory Authority of India ("AERA"), Marshall & Swift Valuation Service (MVS) and American Society of Appraisers (ASA)*
- *Our understanding and experience as qualified engineers "*

7.5.8. The Authority has observed the recommendations given in the study report for adopting shorter useful life and noted the following:

- The Independent Expert appointed by the Airport Operator has considered the various components of the Terminal Building such as False Ceiling, Sanitation works, Glass façade, Flooring works etc. for assessing the useful life of the Terminal Building. The Expert has calculated the contribution of each of the components to the overall structure of the Terminal Building along with the estimated useful life of such components wherein shorter useful lives have been adopted for False Ceiling, Sanitation works, Glass façade and Flooring works due to frequent renovation works in the building, weather conditions, wear and tear, etc., and arrived at the weighted average useful life of the entire structure of Terminal Building as approximately 25 years Further, the Authority notes that the Airport Operator has adopted the same shorter useful life of 25 years for the projected capital expenditure on construction of new Cargo Terminal Building.
- Similarly, the Independent Expert has recommended shorter useful life for Runways, Taxiways and Apron based on the useful life followed by various international regulators and associations.
- Further, in respect of Plant and machinery items, as per the technical report, these items are broadly used at CCSIA, Lucknow for 24 hours per day as the Airport is working all three shifts and hence, as prescribed under the Companies Act 2013, Schedule II for assets used during the year for double shift or triple shift, the Expert has recommended to adopt useful life of 7.5 years instead of 15 years. The Authority also notes that the Airport Operator has adopted the same shorter useful life of 7.5 years for Cargo equipment and Security equipment.

7.5.9. Apart from the above, the Authority notes that in respect of Fuel Farm facility, the Airport Operator has adopted 'weighted average' useful life of 7.5 years. Since the major portion of the assets are in the nature of Plant and Machinery the Airport Operator has estimated the useful life of the Fuel facility as 7.5 years and adopted higher depreciation of 13.33% for the entire capital expenditure projected for this facility.

7.5.10. The Authority on perusal of all the above, has summarized its view as under:

Asset class – Building: The Expert has recommended shorter life for False Ceiling, Sanitation works, Glass façade and Flooring works which appear to be integral part of the Airport Terminal Building. Authority's Order No.35 does not provide for reducing the life of assets under Asset class -Buildings. The Authority observes that various components mentioned above are also an integral part of the Terminal Building and should be added to the Terminal Building cost by applying the same rate of depreciation as that of buildings. While the technical report provided by the Airport Operator has determined the shorter life to be adopted, it has not provided sufficient rationale for adopting such shorter useful life. Since these assets are all part of the building, the Authority is of the view that the same rate applicable to building should be applied to these assets and no reduction in life of these assets are called for. Further, the Authority notes that adequate maintenance expenditure is allowed to enable the Airport Operator to maintain the assets in good working condition during its entire life. The Authority has issued Order No.35 as part of its normative approach to various Building Blocks in Economic regulation of Major Airports where it has stated that, "The Authority has been of the considered view, that it would be preferable to have as far as practicable, a broad year to year consistency in what Depreciation is charged by the companies as certified by the relevant statutory auditors and what the Authority would take into account in its process of tariff determination. Issue of a notification will ensure this objective." In view of all the above, the Authority is not inclined to deviate from ensuring this objective and therefore proposes not to consider the shorter useful life of 25 years claimed by the Airport Operator for both the Terminal Building and newly projected Cargo terminal building.

Asset Class -Runways, Taxiways and Aprons: The Expert has recommended adopting a shorter life of 20 years based on useful life followed by certain international associations and regulators, like, Federation Aviation Administration -US Department of Transportation, Civil Aviation Authority – UK, Australian Airports Association – Australia, International Civil Aviation Organization, etc., which the Authority feels does not provide proper justification for adopting a shorter useful life. Therefore, the Authority finds no reason to reduce the life of the Runway which enhances the burden of Airport users by increasing the tariff.

Other Asset Classes: Order No.35 provides for specific determination of life through technical evaluation for specific assets other than those listed in the Order based on specific requirement of the Airport. The Authority finds that none of the asset in these classes where a shorter life has been adopted as specific assets are based on specific requirement of the Airport. Therefore, the Authority finds no merit in reducing the life of such asset for tariff purposes.

Fuel farm facility – The Authority examined the list of items forming part of Fuel facility including assets planned to be purchased from IOCL and observed that there are assets belonging to different asset category, namely Buildings, Roads, Plant and Machinery, Vehicles etc., and based on the same, proposes not to consider the weighted average useful life of 7.5 years claimed by the Airport Operator. Instead, the Authority proposes to adopt the specific depreciation rate prescribed as per Order No.35 for such asset category in line with depreciation rates adopted for similar facility at other airports.

7.5.11. Based on all the above, the Authority has proposed the following useful life for all the assets of CCSIA, Lucknow during the Third Control Period:

Table 79: Useful Life proposed by the Authority for all the assets in the Third Control Period

Asset Class	Useful life submitted by the Airport Operator	Useful life proposed by the Authority as per Order No. 35 / 2017-18
Terminal Building	25	30
Runway, Taxiway and Apron	20	30
Cargo Building	25	30
Cargo Equipment	7.5	15
Boundary wall	5	5
Computer Servers, networks, etc. / Software	3	3
Computer End-user devices / IT equipment	3	3
Security equipment	7.5	15
Plant and Machinery	7.5	15
Other buildings	30	30
Access road	10	10
Furniture & fixtures	7	7
Vehicles	5	8
Office Equipment	5	5
Fuel farm facility assets		
(i) Plant and machinery items including refuellers	7.5	15
(ii) Roads	7.5	10
(iii) Buildings	7.5	30
(iv) Furniture & fixtures	7.5	7
(v) Vehicles	7.5	8

Table 80: Depreciation proposed by the Authority for assets forming part of Fuel facility for CCSIA, Lucknow

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Depreciation claimed by Airport Operator	-	1.24	9.39	16.31	16.31	**43.24**
Depreciation Proposed by Authority	0.02	0.99	4.70	7.66	7.66	**21.03**

7.5.12. Considering the above changes in depreciation rates, revision in the value of opening gross block of assets and proposed capital expenditure, the Authority proposes the following depreciation for the Third Control Period.

Table 81: Depreciation proposed by the Authority for CCSIA, Lucknow for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Terminal Buildings	5.13	5.31	6.40	37.34	67.51	**121.70**
Runways/Taxiway/ Apron	1.09	1.80	4.70	8.36	10.50	**26.44**

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Building used for ANS activities	0.31	0.31	0.31	0.31	0.31	**1.55**
Cargo Building	-	0.01	0.74	1.44	1.44	**3.63**
Cargo Equipment	0.11	0.27	0.48	0.64	0.64	**2.15**
Boundary wall	1.07	1.43	1.59	1.61	1.63	**7.33**
Software	0.20	0.20	0.19	0.02	-	**0.61**
IT equipment – Others	0.71	1.19	1.58	1.09	0.13	**4.71**
Security equipment	0.05	0.61	1.41	2.72	4.10	**8.90**
Plant and Machinery	9.11	10.11	14.74	17.75	17.94	**69.65**
Other buildings	0.48	1.41	1.91	1.96	1.96	**7.72**
Access road	0.04	1.78	5.44	7.39	7.39	**22.04**
Furniture & fixtures	0.21	0.19	0.17	0.16	0.11	**0.84**
Vehicles	0.87	0.87	0.87	0.87	0.84	**4.32**
Office equipment	0.15	0.14	0.13	0.13	0.11	**0.66**
Fuel facility						
• Plant & Machinery	0.02	0.50	1.18	1.40	1.40	**4.50**
• Buildings	-	-	2.10	4.21	4.21	**10.52**
• Roads	-	0.14	0.82	1.35	1.35	**3.66**
• Furniture & fixtures / office equipment	-	(0.00)	0.00	0.05	0.05	**0.11**
• Vehicles	-	(0.00)	0.01	0.02	0.02	**0.03**
• Fuel dead stock	-	0.32	0.63	0.63	0.63	**2.22**
TOTAL	**19.55**	**26.59**	**45.41**	**89.46**	**122.27**	**303.28**

7.5.13. The depreciation claimed by the Airport Operator in comparison with that proposed by the Authority for each FY is shown in the table below:

Table 82: Depreciation claimed by the Airport Operator vis-à-vis 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
Depreciation claimed by the Airport Operator	**34.65**	**66.25**	**149.92**	**221.12**	**246.35**	**718.29**
Less: Adjustments made by the Authority on account of change in useful life and revision in asset addition.	**(15.10)**	**(39.66)**	**(104.51)**	**(131.66)**	**(124.07)**	**(415.01)**
Depreciation proposed by the Authority	**19.55**	**26.59**	**45.41**	**89.46**	**122.27**	**303.28**

The Authority proposes to consider depreciation for CCSIA, Lucknow for the Third Control Period as ₹ 303.28 Crores (refer Table 81).

Regulatory Asset Base (RAB) for the Third Control Period

AO's submission of RAB for the Third Control Period

7.5.14. The AO has submitted RAB for the Third Control Period as follows:

Table 83: RAB proposed by the Airport Operator for CCSIA, Lucknow for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1)	191.17	315.74	1,079.42	4,230.93	4,634.77	
Capital Additions (2)	159.30	**830.21**	**3,292.99**	**625.69**	**157.01**	**5,065.20**
Disposal/Transfers (3)	-	-	(9.00)	-	-	
Depreciation * (4)	34.72	**66.54**	**150.48**	**221.85**	**247.10**	**720.69**
Closing RAB (5) = [(1) +(2) – (3) – (4)]	315.74	1,079.42	4,230.93	4,634.77	4,544.68	
Average RAB = [(1) + (5)]/2	253.46	697.58	2,655.18	4,432.85	4,589.72	

** Note – Depreciation relates to Capital additions of ₹ 4,036.97 Crores claimed by the AO in their revised MYTP dated January 10, 2022***.**

Authority's examination of RAB for the Third Control Period

7.5.15. 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 84: RAB proposed by the Authority for CCSIA, Lucknow for the Third Control Period

(₹ Crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1)	Table 37	183.26	236.13	434.70	901.16	2,745.32	
Capital Additions (2)	Table 76	72.42	225.16	517.66	1,933.62	55.53	**2,804.39**
Disposal/Transfers(3) (refer Note below)	-	-	-	5.79	-	-	
Depreciation (4)	Table 81	19.55	26.59	45.41	89.46	122.27	**303.28**
Closing RAB (5) = [(1) +(2) – (3) – (4)]		236.13	434.70	901.16	2,745.32	2,678.58	
Average RAB = [(1) + (5)]/2		209.70	335.42	667.93	1,823.24	2,711.95	

Note: *The Authority observes that the AO has claimed write-off of assets amounting to ₹ 9 Crores in their MYTP dated June 23, 2022 towards fuel-farm related assets acquired from various OMCs. Subsequently the AO has revised the amount of asset write-off to ₹ 5.79 Crores vide e-mail dated September 12, 2022 and January 23, 2023. The Authority notes that the aforementioned amount of ₹ 5.79 Crores pertains to the depreciated cost of the existing assets (i.e., fuel tanks and other allied infrastructure) that have been purchased by the AO from OMCs such as IOCL and Reliance based on MOU signed between the parties (refer para B3.c) and the same are being used to run the existing* *facility. However, the AO has planned to construct and commission a new green field facility in the FY 2023-24 and hence the AO has projected write-off of such old assets in the same FY i.e., FY 2023-24. The effect for the same has been given under both Fuel Operational expenses and as reduction the RAB for the FY, according to accepted accounting principles. The Authority considers the accounting treatment followed by AO as appropriate and proposes to accept the same.*

7.5.16. The Authority proposes to consider RAB for the CCSIA, Lucknow for the Third Control Period as detailed in Table 84.

7.6. Authority's proposal regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Third Control Period

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

7.6.1. To consider the Terminal Building ratio of 90:10 in line with the Study on allocation of assets between Aeronautical and Non-aeronautical assets for CCSIA, Lucknow, IMG norms and as approved for other similar Airports.

7.6.2. To allow IDC during the Third Control Period and not to allow Financing Allowance as mentioned in Para 7.3.13.

7.6.3. To adopt the capitalisation of Aeronautical Expenditure for the Third Control Period in accordance with Table 76.

7.6.4. To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalised as per the approved capitalisation schedule, as mentioned in para 7.3.12. 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.

7.6.5. To consider GST on RAB/ CWIP and Stamp Duty/ Registration charges on actual incurrence basis, as detailed in para 7.3.14 and 7.3.15 respectively.

7.6.6. To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Fourth Control Period (as explained in para 7.3.16).

7.6.7. To true up the Aeronautical Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.

7.6.8. To adopt Aeronautical Depreciation as per Table 81 for the Third Control Period.

7.6.9. To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalisation during the tariff determination of the Fourth Control Period.

7.6.10. To consider average RAB for the Third Control Period for CCSIA, Lucknow as per Table 84.

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

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

8.1. AO's submission of FRoR for the Third Control Period

Cost of equity

8.1.1. The Airport Operator had engaged the services of PricewaterhouseCoopers Services LLP to carry out a study on evaluating the applicable Cost of equity. Based on this study, the Airport Operator has considered the Cost of equity as 17.49%.

8.1.2. The Airport Operator submitted the following assumptions for estimating the Cost of equity:

- Risk-free rate was calculated by taking 10-year average yield on a daily basis, for 10-year Government of India securities
- Asset beta was derived based on five-year weekly regressed beta computed for comparable listed airports (weighted), and adjusted for appropriate leverage to determine the levered Equity beta
- Although various debt-equity (leverage or gearing) ratios had been analysed, the assumed leverage for computation of Cost of equity was the normative approach and standard adopted in earlier tariff determination exercises of the Authority, i.e., debt-equity ratio of 48:52. For such leverage ratio, the Equity beta was computed as 1.40
- Rate of market return was estimated by using average of last 40 years' data of BSE Sensex, and last 30 years' data of Nifty 50, computed using Geometric Mean. The average market return was 14.63%, accordingly, Equity risk premium over risk-free rate was computed as 7.06%

Table 85: Cost of equity computation as per Airport Operator's submission

Parameter	Value
Risk-free rate	7.57%
Market return	14.63%
Debt-equity ratio (leverage)	48:52
Equity beta	1.40
Cost of equity *(rounded off)*	17.49%

Cost of debt

8.1.3. The Airport Operator submitted that Cost of debt assumed for the Third Control Period was 12%. The audited financial statements of Lucknow International Airport Limited for the year ended March 31, 2021 disclosed that it has issued long-term secured, redeemable, non-convertible debentures to its shareholder group company, Adani Airport Holdings Limited in order to raise funds at interest rate of 12% p.a. Further, it had also raised inter-corporate deposit from the same shareholder group company at interest rate of 12% p.a. It is noted that neither the AO nor its current group lending shareholder, Adani Airport Holdings Limited has obtained credit rating from any external rating agency.

8.1.4. Subsequently, Adani Airport Holdings Limited announced on May 9, 2022 that it had raised a 3-year External Commercial Borrowing facility of $ 250 million from a consortium of Standard Chartered Bank and Barclays Bank PLC. The all-in borrowing cost of this facility is 12.10% p.a., the breakdown of which is provided in the table below:

Table 86: Breakdown of all-in External Commercial Borrowing Cost of Adani Airport Holdings Limited

Particulars	Value
Secured Overnight Financing Rate (SOFR) reference	2.28%
Spread over SOFR	4.25%
Withholding tax gross up (at 5% of SOFR + spread)	0.33%
One-year forward Dollar-Rupee hedge cost (mandatory as per RBI guidelines)	4.51%

Particulars	Value
Upfront fees (annualized)	0.73%
All-in Cost of External Commercial Borrowing	**12.10%**

Source: Airport Operator data

It was mentioned that a part of the proceeds raised from this facility are being on-lent to Lucknow International Airport Limited for the purpose of financing its capital expenditure at the rate of 12.25% p.a. For the purposes of computation of weighted average cost of capital, cost of debt has been assumed as 12% p.a.

Weighted average cost of capital

8.1.5. Based on the Cost of equity, Cost of debt and gearing ratio, the Airport Operator submitted the following FRoR for the Third Control Period:

Table 87: Weighted average cost of capital computation submitted by Airport Operator for FRoR

Parameter	Value
Cost of equity	17.49%
Cost of debt	12.00%
Weighted average gearing of equity	52.00%
Weighted average gearing of debt	48.00%
Weighted average Cost of capital	14.85%
rounded off to	**14.90%**

8.2. Authority's Examination of FRoR for the Third Control Period

Cost of equity

8.2.1. The Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore and proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of CCSIA for the Third Control Period.

8.2.2. The independent study reports have drawn from the international experience of airports and their conclusions have been evaluated to the extent comparable with CCSIA in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The median and average Cost of equity arrived at by the independent study reports are 15.16% and 15.18%, respectively, as shown in the table below:

Table 88: Computation of Cost of equity as per IIM Bangalore independent study reports

Particulars	CIAL	MIAL	BIAL	DIAL	GHIAL	Average
Risk-free rate (A)	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Equity beta (B)	0.9427	0.9391	0.9732	0.9296	0.9442	0.94576
Equity risk premium I	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%
Cost of equity *A + B * C*	15.16%	15.13%	15.40%	15.05%	15.17%	**15.18%**
Average Cost of equity						**15.18%**

8.2.3. The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of equity.

8.2.4. Based on the above reports, the Authority proposes the Cost of equity of 15.18% for CCSIA for the

Third Control Period.

Cost of debt

8.2.5. The Authority noted that the Airport Operator has considered Cost of debt at 12% for the Third Control Period based on its current borrowing rate from a related party and based on Adani Airport Holdings Limited's all-in borrowing cost of 12.10%.

8.2.6. Since the Airport and its holding company have not obtained any credit rating from an external rating agency, there is no direct comparable entity or market data for determining cost of debt for CCSIA.

8.2.7. However, the Authority recommends that the Airport bring in further efficiencies in its cost of borrowing by leveraging its parent entity's financial strength in order to reduce the interest rates. This suggestion is also in keeping with the spirit of PPP whereby it is expected that the financial strength of PPP airports is maintained at an optimal level and their cost of capital is within reasonably allowable limits.

8.2.8. Further the Authority has also noted that average bank lending rate of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of September 2022 has been in the range of 8.65% to 9.23% p.a.[3] The Authority has also noted that the average cost of debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL is 8.96%.

8.2.9. Accordingly, the Authority has considered the Cost of Debt of 9% for the computation of Fair Rate of Return.

Fair Rate of Return

8.2.10. Based on the above, the Authority proposes to consider the following FRoR for the Third Control Period for CCSIA:

Table 89: Fair Rate of Return proposed by the Authority for the Third Control Period

Parameter	Value
Cost of equity	15.18%
Cost of debt	9.00%
Weighted average gearing of equity	52.00%
Weighted average gearing of debt	48.00%
Fair Rate of Return	**12.21%**

8.3. Authority's proposals regarding FRoR for the Third Control Period

Based on the materials before it and based on its analysis, the Authority proposes the following:

8.3.1. To consider the Cost of equity at 15.18% as per CAPM formula.

8.3.2. To consider the notional debt to equity (gearing) ratio of 48%:52% in line with target gearing ratio being considered in case of other PPP airports.

8.3.3. To consider cost of debt of 9% for the Third Control Period,

8.3.4. To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

[3] https://www.rbi.org.in/rbi-sourcefiles/lendingrate/LendingRates.aspx

9. INFLATION FOR THE THIRD CONTROL PERIOD

9.1. AO's submission regarding Inflation for the Third Control Period

9.1.1. Airport Operator has submitted Inflation rate as 5% for all operating expenses including manpower expenses, utility expenses, IT expenses, rent and lease expenses, security expenses, corporate allocation, administrative expenses, repair and maintenance, and other operating expenses for CCSIA for the Third Control Period.

9.1.2. The inflation rate of 5% has been submitted by the Airport Operator based on CPI inflation forecasts as summarized in the table below:

Table 90: CPI inflation rate submitted by Airport Operator

Year	CPI	Source
(CPI Combined general)	Q3 FY22 5.0% Q4 FY22 5.8% Q1 FY23 5.2% Q2 FY23 5.2%	Survey of Professional Forecasters on Macroeconomic Indicators– Results of the 73rd Round released on 08th December, 2021
CY2021*	5.2%	Oxford Economics Forecast
CY2022	5.1%	
CY2023	4.8%	
CY2024	5.1%	
CY2025	5.2%	
CY2026	5.0%	

* CY represents Calendar Year.

9.2. Authority's examination regarding Inflation for the Third Control Period

9.2.1. The Authority on examination of the submission made by AO on inflation to be considered for the Third Control Period, proposes to consider the actual Wholesale Price Index (All Commodities) inflation in FY 2022 and mean of WPI inflation forecasts (All Commodities) for FY 2023 till FY 2026 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 79" released on December 7, 2022 published by the Reserve Bank of India (RBI).

9.2.2. The Authority has assumed that the inflation rate would be stable and remain constant from FY 2024 till FY 2026. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Third Control Period.

Table 91: Inflation rates proposed by the Authority for Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
WPI inflation	12.97%	10.40%	5.0%	5.0%	5.0%

9.3. Authority's proposal regarding inflation for the Third Control Period

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

9.3.1. To consider WPI inflation as per Table 91.

10. OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE THIRD CONTROL PERIOD

10.1. AO's submission of Operation and Maintenance (O&M) Expenses for the Third Control Period

10.1.1. AO in its MYTP submission has stated that the Aeronautical Operation and Maintenance (O&M) expenses for the Third Control Period has been estimated based on the following assumptions:

- Development of new Terminal Building T3 for total area of approx. 148,261 Sq.m (currently 29,815 Sq.m) during FY 2023-24 (Phase I) and FY 2024-25 (Phase II) as shown in the table below:

Table 92: Details of increase in the Terminal Building area projected by the Airport Operator

Particulars	Existing	Phase I – FY 2023-24	Phase II – FY 2024-25
Terminal Building Area (in Sq.m)	29,815	111,788	148,261
% increase	-	274.94%	32.63%

Considering the expansion of the Terminal Building area (phase wise), as shown in the above table, the AO has projected proportionate increase in various expenses such as Utilities, IT expenses, Rates & Taxes, Security and Other Operating expenses, for the last two tariff years i.e., FY 2023-24 and FY 2024-25.

- Increase of 10% in the O&M expenses has been considered, taking into account the current economic scenario, concession agreement obligations and the construction of new Terminal Building T3.
- Inflationary increase of 5% has been considered towards all expenses for the Third Control Period.
- FY 2021-22 has been considered as the base year and relevant growth percentages have been applied over the same to estimate expenses for other Financial Years.
- Fuel Operating and Maintenance Expenses have been estimated for the 4 tariff years of the Third Control Period starting from FY 2022-23 till FY 2025-26 on the assumption that the Fuel facility operations will commence from May 2022 onwards, i.e., for a 11-month period in FY 2022-23. Further, the operations and maintenance of Fuel facility have been outsourced to a third-party vendor in FY 2022-23 on a 'fixed rate' basis i.e., rate per Kilo Litre (KL) that would be handled by the vendor during the year.
- Cargo expenses have been estimated for the Third Control Period based on the assumption of handling the interim cargo facility in the FY 2021-22 and constructing new Greenfield Cargo facility in FY 2022-23. Further, Cargo expenses have been increased by 10% for the remaining 3 tariff years of the Third Control Period.

The AO has submitted the following categories of O&M expenses in its MYTP submission:

Table 93: O&M expenses (category wise) claimed by the Airport Operator in the MYTP for the Third Control Period

Type of O&M Expense	Expense Category
Aeronautical Operating Expenses	Manpower Expenses – AAI employees
	Manpower Expenses – Airport Operator employees
	Utility Expenses
	IT Expenses
	Rates and Taxes
	Security Expenses
	Security Others
	Corporate Allocation
	Administrative Expenses
	Insurance
	Repair and Maintenance Expenses
	Other Operating Expenses and
	Amortisation of Runway recarpeting expenses
Fuel Operating Expenses	Fixed O&M Charges (up to 80,000KL)
	Variable O&M Charges (above 80,000KL)
	Refuellers rental
	One-time expenses
Cargo Operating Expenses	Salary costs
	Operating expenses
	Customs cost recovery

10.1.2. The above expenses do not include Concession Fee, since it is not considered as part of Aeronautical O&M expenses, as per Clause 27.1.2 of the CA, which states that:

"The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same."

10.1.3. The AO has segregated all O&M expenses into Aeronautical, Non-aeronautical and Common expenses. Allocation ratios have been used to further segregate the Common expenses into Aeronautical and Non-aeronautical categories. The basis adopted by the AO for allocation and segregation of O&M expenses is as follows:

Table 94: Segregation of O&M expenses into Aeronautical and Non-aeronautical expenses and the basis of allocation as per Airport Operator's submission

Expense Category	Expense classification	Allocation Basis	Aeronautical	Non-aeronautical
Manpower expenses – AAI employees	Aeronautical	-	100 %	0%
Manpower expenses – Airport Operator employees	Common	Department wise cost	97 %	3%
Utility expenses	Aeronautical	-	100 %	0%
IT expenses	Common	Initial RAB ratio	96.67 %	3.33%

Expense Category	Expense classification	Allocation Basis	Aeronautical	Non-aeronautical
Rates and taxes	Common	Terminal Building ratio	94.86%	5.14%
Security expenses	Common	Initial RAB ratio	96.67 %	3.33%
Security Others	Common	Initial RAB ratio	96.67 %	3.33%
Corporate Allocation Cost	Common	Initial RAB ratio	96.67 %	3.33%
Administrative expenses	Common	Initial RAB ratio	96.67 %	3.33%
Insurance expenses	Common	Initial RAB ratio	96.67 %	3.33%
Repairs and Maintenance expenses	Common	Terminal Building ratio	94.86%	5.14%
Other Operating expenses	Common	Terminal Building ratio	94.86%	5.14%
Amortization of Runway recarpeting expenses	Aeronautical	-	100 %	0%
Fuel Operating expenses	Aeronautical	-	100 %	0%
Cargo Operating expenses	Aeronautical	-	100 %	0%

10.1.4. The total Aeronautical O&M expenses including Fuel and Cargo Operating Expenses submitted by the AO for the Third Control Period have been presented as follows:

Table 95: Total Aeronautical Operation and Maintenance (O&M) expenses submitted by the Airport Operator for Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Operating Expenses						
Manpower expenses – AAI	33.40	38.41	36.98	30.48	35.05	**174.32**
Manpower expenses – Airport Operator	20.37	42.95	71.84	95.52	124.70	**355.37**
Utility expenses	9.28	9.74	38.14	53.01	55.66	**165.82**
IT expenses	4.83	5.56	7.50	10.13	11.65	**39.68**
Rates and Taxes	2.37	2.49	17.56	18.43	19.35	**60.20**
Security expenses	4.83	5.56	9.17	15.13	17.40	**52.10**
Security Others	0.00	15.83	16.63	17.46	18.33	**68.25**
Corporate Allocation Cost	11.60	13.34	15.34	17.64	20.29	**78.21**
Administrative expenses	4.83	5.56	6.39	7.35	8.45	**32.59**
Insurance	1.70	2.50	5.01	5.98	6.53	**21.73**
Repairs and Maintenance	18.97	30.02	44.52	53.38	57.98	**204.87**
Other Operating expenses	9.49	10.91	42.54	62.80	72.22	**197.95**
Runway recarpeting	-	-	-	-	8.00	**8.00**
Aeronautical Operating Expenses (A)	**121.68**	**182.87**	**311.60**	**387.32**	**455.61**	**1459.08**
Fuel Operating Expenses						
Fixed O&M Charges up to 80,000 KL	-	7.69	8.08	8.48	8.90	**33.15**
Variable over & above 80,000 KL	-	0.58	1.46	2.29	3.27	**7.59**
Refuelers Rentals	-	1.50	1.30	-	-	**2.80**
One-time expense (asset write-off)	-	-	9.00	-	-	**9.00**

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Fuel Operating Expenses (B)	**-**	**9.77**	**19.83**	**10.77**	**12.17**	**52.55**
Cargo Operating Expenses						
Insourced salary	1.00	1.22	1.44	1.75	2.11	**7.52**
O&M Expenses	2.21	5.37	6.37	7.70	9.31	**30.96**
Customs Cost Recovery	0.89	0.98	1.08	1.18	1.30	**5.43**
Cargo Operating Expenses I	**4.10**	**7.57**	**8.89**	**10.63**	**12.73**	**43.91**
Total Aeronautical O&M Expenses (A+B+C)	**125.78**	**200.21**	**340.33**	**408.72**	**480.51**	**1,555.55**

10.1.5. The growth rates assumed by the Airport Operator for total Aeronautical O&M expenses have been presented in the tables below:

Table 96: Growth rates for total Aeronautical Operation and Maintenance (O&M) expenses submitted by the AO for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Aeronautical Operating Expenses (A)					
Manpower Expenses – AAI employees	15%	15%	15%	15%	15%
Manpower Expenses – Airport Operator employees	15%	15%	15%	15%	15%
Utility expenses	5%	5%	279.94%	37.63%	5%
IT expenses	15%	15%	35%	35%	15%
Rates and Taxes	5%	5%	605%	5%	5%
Security expenses	15%	15%	65%	65%	15%
Security Others	5%	5%	5%	5%	5%
Corporate Allocation Cost	15%	15%	15%	15%	15%
Administrative expenses	15%	15%	15%	15%	15%
Insurance – on Opening Net block of Assets	15%	15%	15%	15%	15%
Repairs and Maintenance – on Opening Net block of Assets	15%	15%	15%	15%	15%
Other Operating expenses	15%	15%	289.94%	47.63%	15%
Fuel Operating Expenses (B)					
Fixed O&M Charges up to 80,000 KL	-	5%	5%	5%	5%
Variable over & above 80000 KL	-	5%	5%	5%	5%
Cargo Operating Expenses s I					
Insourced salary	10%	10%	10%	10%	10%
O&M Expenses	10%	10%	10%	10%	10%
Customs Cost Recovery	10%	10%	10%	10%	10%

It can be seen from Table 96, that the Airport Operator has claimed growth rates in Utilities, IT expenses, Rates and Taxes, Security expenses and Other Operating expenses including one-time escalation rates for FY 2023-24 and FY 2024-25 based on projected increase in the area of Terminal Building (i.e., construction of new terminal T3).

10.1.6. The Airport Operator has also projected FRoR of 14.86% towards amortisation of Recarpeting of Runway commencing from the last tariff year i.e., FY 2025-26 and this is the same rate submitted by the Airport Operator as part of their true up submission for the period from COD up to March 31, 2021 (refer Table 34).

10.2. Authority's examination regarding the Operation and Maintenance (O&M) Expenses for the Third Control Period

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

Manpower expenses of AAI employees

10.2.1. The AO has considered the Manpower Expenses of AAI employees as 100% Aeronautical, as this expense is considered as pass through in the determination of Aeronautical charges, as per the Clause 6.5 read with Clause 28.4.3 of the Concession Agreement. The Authority, in this regard examined the extract of the relevant clauses of the Concession Agreement which reads as under:

- Clause 6.5.1. states that:

*"(i) **" Select Employees·'** shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period. The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI.*

*ii. **"Joint Management Period··** shall mean the period commencing from the COD and ending on the date which is I (one) calendar year after the COD.*

*iii. **"Deemed Deputation Period"** shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom."*

- Clause 6.5.4 states that:

"The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period."

- Clause 6.5.10 states that:

"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the ·'Deficit Employees"), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs").

iv. The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges."

- Clause 28.4.3. states that:

"The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/ or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder."

10.2.2. The Authority, on review of the above clauses of the CA, proposes to consider the assumptions of the Airport Operator as the Manpower Expenses of AAI employees during the Third Control Period are mandated by the terms of the CA.

In this respect, the Authority proposes to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' as Common, since the Manpower of AAI is used for both Aeronautical and Non-aeronautical activities. Accordingly, the Authority proposes to apportion the Manpower Expenses of AAI employees up to 'Deemed Deputation Period', to Aeronautical activities in the ratio of 99:1 (Aeronautical: Non-aeronautical) based on department-wise Employee Headcount of AAI employees as of October 31, 2021.

In respect of the Manpower Expenses of AAI employees relating to 'Deficit Employees' after the expiry of the Deemed Deputation Period, the Authority proposes to consider the same as 100% pass through as mandated by Clause 6.5.10. of the CA.

Manpower expenses of employees of AO

10.2.3. The Airport Operator has allocated the Manpower Expenses of its own employees, in the ratio of Employee Head Count of 97:3 based on the department-wise Employee Headcount, by including both AAI employees and Airport Operator employees, for the first 3 (three) tariff years i.e., up to FY 2023-24.

However, the Authority feels that the Employee Headcount ratio should not be based on the total number of employees of both AAI and Airport Operator, but only based on the Employee Headcount of Airport Operator, as these are Manpower expenses of the Airport Operator only. Further the Authority believes that the 5-year average ratio after considering the Employee Headcount projected for the entire Third Control Period is more appropriate than the ratio based on Employee Headcount for the first 3 (three) tariff years.

It is pertinent to note here that the Authority has rationalized the aeronautical Employee Headcount of the AO and derived the Aeronautical Headcount and Employee Headcount Ratio (ECHR) for each tariff year as well as 5-year average of such ECHR i.e., 96:4 (refer Table 105 below) for the entire Third Control Period. However, as the Manpower expenses of AO have already been derived based on Aeronautical Employee Headcount, the Authority has not allocated any further ratio for such expenses (refer Table 106).

Total Employee Headcount Ratio

Based on the revised Employee Headcount of AO proposed by the Authority (refer Table 105), the Authority has derived the 5-year average of Total Employee Headcount Ratio (i.e., employees of both AAI and AO) as 96:4 and proposes to allocate certain expenses such as IT expenses and Corporate cost allocation on the basis of such ratio.

Utility expenses

10.2.4. The Authority notes that the AO has segregated the expenses towards Utilities after netting off the recoveries proposed to be made from the Concessionaires for Non-aeronautical activities and has considered the net Utilities expenses as 100% Aeronautical. The Authority finds this allocation to be in line with that followed in other similar airports and proposes to consider the same.

IT expenses and Insurance expenses

10.2.5. The Authority notes that the AO has segregated the expenses towards IT and Insurance in the Initial RAB ratio, i.e., 96.67:3.33. However, the Authority proposes to apportion the IT expenses in the Terminal Building ratio of 90:10 (refer 7.4.3 in Chapter 7 above) in line with the allocation considered for other similar airports.

Further, in respect of Insurance expenses, the Authority proposes to apportion the same in the Gross Fixed Assets ratio of 98.19:1.81 as proposed by the *Study on Efficient Operation and Maintenance Expenses of CCSIA* and also considered for other similar airports.

Security expenses and Security others

10.2.6. The Authority observes that the AO has segregated Security expenses and Security others in the Initial RAB ratio, i.e., 96.67:3.33. However, the allocation ratio prescribed by the *Study on Efficient Operation and Maintenance Expenses of CCSIA* is the Gross Fixed Assets ratio i.e., 98.19:1.81 and the Authority proposes to consider the same for allocating Security expenses.

Administrative expenses

10.2.7. The Authority notes that the AO has segregated Administrative expenses including expenses towards Professional & Consultancy, Sales & Marketing, Travelling & Communication, Printing & stationery and the Collection charges on UDF in the Initial RAB ratio, i.e., 96.67:3.33. The Authority proposes to re-allocate Collection charges on UDF as 100% Aeronautical in line with other similar airports and is of the view that the other expenses which are administrative in nature should be apportioned in the Gross Fixed Assets ratio of 98.19:1.8, as proposed by the *Study on Efficient Operation and Maintenance Expenses of CCSIA.*

Corporate Cost Allocation

10.2.8. The Authority observes that the AO has segregated expenses towards Corporate Allocation Cost in the Initial RAB ratio of 96.67:3.33 and has engaged an Independent Consultant for conducting a Study on allocation of Corporate Costs of both the Holding Companies of the AO. The AO has shared a Note on the Study report which provides the types of services / costs that have to be allocated to the AO, along with the basis of allocation of such costs.

The AO has derived the allocable Corporate Costs based on the study. However, the basis for allocation of the costs towards Aeronautical and Non-aeronautical activities has not been provided in the Study report. The Authority is of the view that in the absence of an appropriate basis, the Corporate costs can be allocated in the ratio of revised Total Employee Headcount i.e., 96:4 (based on 5-year average ratio of Total Employee Head Count of both AAI and Airport Operator derived as shown in Table 105) and as also mentioned in the *Study on Efficient Operation and Maintenance expenses of CCSIA* (given in Appendix II of this Consultation Paper).

Expenses towards Repairs & Maintenance, Rates & Taxes and Other operating expenses

10.2.9. The AO has segregated expenses towards Repairs and Maintenance, Rates and Taxes and Other Operating expenses (which includes Housekeeping, Horticulture and Hiring expenses) in the Terminal Building ratio of 95:5. In respect of Repairs & Maintenance and Other Operating expenses the Authority proposes to re-allocate both in the Terminal Building ratio of 90:10 (refer para 7.4.3 in Chapter 7 above) as proposed by the *O&M Study report*. However, for Rates & Taxes, the Authority proposes to consider the Gross Fixed Assets ratio of 98.19:1.81 as considered for other similar airports.

Amortization of runway recarpeting expenses, Fuel and Cargo Operating expenses

10.2.10. The AO has considered the expense towards Amortization of runway recarpeting, Fuel and Cargo Operating expenses as 100% Aeronautical. The Authority has considered the Runway recarpeting expenses as CAPEX, as it is of the view that overlaying the runway with two layers (SDAC and DAC) will lead to increase in PCN value (Refer para 7.3.7 B1 (d) under Chapter 7). Further, the Authority notes the classification of Fuel and Cargo expenses as 100% Aeronautical in line with that followed in other similar airports.

10.2.11. The Authority's proposal for allocation of Total Aeronautical O&M expenses of CCSIA as compared to that submitted by the Airport Operator has been summarized in the table below:

Table 97: Allocation of Total Aeronautical O&M expenses for CCSIA proposed by the Authority for the Third Control Period

Expense Category	Allocation claimed by AO	Allocation proposed by Authority	Allocation ratio proposed by Authority
Manpower Expenses – AAI employees (Deficit Employee Cost)	100 %	100 %	Aeronautical
Utility expenses	100 %	100 %	
Administrative Expenses – Collection Charges on UDF	96.67 %	100 %	
Fuel Operating expenses	100 %	100 %	
Cargo Operating expenses	100 %	100 %	
Manpower Expenses – AAI employees (up to Deemed Deputation Period)	100 %	99 %	Employee Headcount Ratio of AAI Employees
Rates and taxes	94.86%	98%	Gross Fixed Assets ratio
Security expenses	96.67 %	98%	
Security Others	96.67 %	98%	
Administrative expenses	96.67 %	98%	
Insurance expenses	96.67 %	98%	
IT expenses	96.67 %	90%	Terminal Building ratio
Repairs and Maintenance expenses	94.86%	90%	
Other Operating expenses	94.86%	90%	
Manpower Expenses – AO employees	97 %	96 %	Employee Headcount Ratio of AO's employees
Corporate Allocation Cost	96.67 %	96%	Total Employee Headcount Ratio
Amortization of Runway recarpeting expenses	100 %	-	Considered under CAPEX

<u>One time escalation claimed by the AO</u>

10.2.12. One time escalation claimed by AO for various expenses in FY 2023-24 and FY 2024-25 has been analyzed by the Authority. In this regard the Authority is of the view that as per the Capitalization schedule proposed by it (refer Table 76) only Phase I of new Terminal T3 has been considered for capitalization during the current Control Period and Phase II of the T3 project has been shifted to the next Control Period. Accordingly, the Authority proposes to consider only proportionate increase pertaining to Phase I of T3 project for determining the one-time escalation in the expenses in the current

Control period, as the Authority feels that the increase in the expenses may not be directly proportional to the increase in the Terminal Building area, due to the technological innovation, advancements and economies of scale. Hence, the Authority proposes to consider 2/3rd (i.e., 66.67%) of the escalation rates claimed by the AO (274.94%) for expenses such as Utilities and Other Operating expenses in the FY 2024-25 (as Phase I of T3 project is expected to be substantially completed by FY 2023-24, as detailed in Chapter 7).

In respect of Security expenses and IT expenses, the Authority notes that the AO has claimed 50% and 20% respectively which the Authority finds to be reasonable and justified. Hence, the Authority proposes to allow the same. However, for Rates & taxes, the Authority notes that the increase of 600% claimed by AO is not justified and hence, proposes to rationalize the same in line with the increase in terminal building area i.e., 274.94%. The details of escalation rates submitted by the AO and that proposed by the Authority for all the aforementioned expenses are shown in the table below:

Table 98: Projected Terminal Building area submitted by the AO

FY	Terminal Area (in Sq.m)	Increase in Area (in %)
2021-22	29,815	-
2022-23	29,815	-
2023-24	111,788	274.94%
2024-25	148,261	32.63%
2025-26	148,261	-

Table 99: One-time escalation claimed by AO and Increase % proposed by the Authority

Type of expense	Increase % claimed by AO	Increase % proposed by the Authority
Utilities like Electricity, water, etc.	• FY 2023-24 – 274.94% • FY 2024-25 – 32.63%	• FY 2024-25 –183.30%
Other Operating expenses	• FY 2023-24 – 274.94% • FY 2024-25 – 32.63%	• FY 2024-25 –183.30%
Rates & taxes	• FY 2023-24 – 600%	The Authority is of the view that the increase of 600% sought by the AO based on projected gross value of assets, is excessive and needs to be rationalised. Hence, the Authority proposes to allow proportionate increase of 274.94% in FY 2024-25 in line with the increase in the Terminal Building area.
Security expenses	• FY 2023-24 – 50% • FY 2024-25 – 50%	• FY 2024-25 – 50%
IT expenses	• FY 2023-24 – 20% • FY 2024-25 – 20%	• FY 2024-25 – 20%

The Authority has evaluated the submission made by the AO relating to various operational expenses and their growth over the Third Control Period. The Authority's analysis of such expenses is elaborated below:

Manpower Expenses

10.2.13. The Authority, on its examination of Airport Operator's submission towards Manpower expenses notes the following:

i. **Manpower Expenses of AAI employees** – The Airport Operator has projected the expense towards specified number of AAI employees across all the five (5) tariff years in the Third Control Period as per clause 6.5.1 of the Concession Agreement entered into between AAI and Airport Operator, the extract of which has already been provided under paragraph 10.2.1

a. The Airport Operator has claimed Manpower Expenses for 'Select employees' till the end of Deemed Deputation Period, namely 167 select employees (refer table below for the department wise list) and also 'Deficit Employee Cost' for 100 employees (calculated at 60% of 'Select employee' number as stated in Clause 6.5.10 of the Concession Agreement) for the remaining portion of the Third Control Period. The Airport Operator has also projected a growth rate of 15% year-on-year towards Manpower Expenses of AAI employees (including inflation of 5%). The department-wise list of 'Select' employees of AAI deputed at CCSIA as of March 31, 2021 is shown as follows:

Table 100: List of department-wise Select employees of AAI deputed to CCSIA as of March 31, 2021

Department	**No. of Employees**
Engineering & Maintenance	61
Finance	5
Fire	51
Human Resource & Admin	34
Commercial (Non-Aero)	1
Security	1
Terminal & Operations	14
Grand Total	**167**

b. The Authority notes that the Manpower Expense of AAI employees are accounted by the Airport Operator, based on the invoice raised by AAI for the 'Select Employees' deputed to CCSIA, on a monthly basis. The Airport Operator has arrived at the average annual employee cost of ₹ 20.00 lacs per annum (which includes the estimated cost of retirement benefits for such employees) for FY 2021-22 based on the average of monthly employee cost incurred by the AO for the period from Post-COD up to March 2022 (details submitted by AO vide email dated July 13, 2022), which the Authority considers to be reasonable.

c. The Authority on review of Clause 6.5 read with clause 28.4.3 of the Concession Agreement entered into between AAI and the Airport Operator, notes that the cost of AAI employees deputed at the CCSIA is eligible for pass-through in the determination of Aeronautical charges. The Manpower Expenses – AAI employees for the entire Third Control Period are considered as 100% Aeronautical expenses by the Airport Operator.

d. The Authority proposes to consider the Manpower Expenses – AAI employees up to 'Deemed Deputation Period' and after the expiry of such period relating to 'Deficit Employee cost' according to the explanation provided in the relevant Clauses of the Concession Agreement for such expenses and accordingly, treat the same which has been explained in paragraph 10.2.2.

e. Further, the Authority observes that the AO has submitted vide e-mail dated January 24, 2023 that they have incurred actual Total Manpower expenses of AAI employees amounting to ₹ 33.86 Crores for the FY 2021-22, as compared to estimate of ₹ 33.40 Crores submitted as part of the MYTP. In this respect, the Authority notes that the AO has considered the same as 100% Aeronautical which the authority proposes to re-allocate based on the prescribed allocation ratio of 99% (refer para 10.2.2 above) which works out to ₹ 33.53 Crores for the FY 2021-22. However, the Authority proposes to consider the average annual employee cost of ₹ 20.00 lacs per annum estimated by the AO, for the remaining four tariff years, i.e., FY 2022-23 to FY 2025-26.

f. Further, the Authority proposes to revise the 15% Y-o-Y increase in Payroll costs claimed by the Airport Operator to 6% for the remaining four (4) tariff years of the Third Control Period, as approved by the Authority for other similar airports.

g. The details of Manpower expenses – AAI employees claimed by the AO and proposed by the Authority are summarized in the table below:

Table 101: Manpower Cost of AAI Employees claimed by the AO and proposed by the Authority for the Third Control Period

Particulars	Unit	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AAI – employees Growth rate claimed by the AO	%	15	15	15	15	15	
AAI – employees Manpower Cost claimed by the AO	₹ in Crores	33.40	38.41	36.98	30.48	35.05	**174.32**
AAI – employees Growth rate proposed by the Authority	%	-	6	6	6	6	
AAI – employees Manpower Cost proposed by the Authority*	₹ in Crores	33.53	35.05	31.05	23.87	25.30	**148.79**

* *Note – The Manpower cost for the FY 21-22 is based on actuals reported by AO*

ii. **Manpower Expenses of Airport Operator** – The Airport Operator has submitted the following projected salary cost per employee per annum and increase in the total employee headcount:

a. Salary cost projected per employee per annum – The Airport Operator has submitted a weighted average employee cost of ₹ 17.50 lacs per annum for FY 2021-22 and also projected an increase of 15% year-on-year (Y-o-Y) for the 4 remaining tariff years of the Third Control Period. As per the submission of the Airport Operator, the weighted average employee cost of ₹ 17.50 lacs per annum has been derived after considering the salary cost of projected recruitments for Senior-level positions like Chief Airport Officer, Chief Security Officer and Heads of Departments for Procurement, Legal, Customer Care, Experts for Quality, Corporate Communications and also the salary cost of other-level positions in various departments like Airside management, Security, Terminal Operations, Engineering & Maintenance, HR, Finance, etc.

The AO has further submitted that as per Clause 6.5.3. of the Concession Agreement, the Senior Personnel of AAI deputed to CCSIA shall remain only for a period not exceeding 3 months from the COD and shall be transferred on expiry of three months. Hence, the AO has projected the recruitment of Senior-level employees in FY 2021-22 itself, which has resulted in the projection of weighted average employee salary cost of ₹ 17.50 lacs per annum for FY 2021-22.

The Authority examined Clause 6.5.3 of the Concession Agreement which states that:

"The senior management staff of the Authority of the rank of deputy general manager and above ("Senior Personnel") shall remain deputed at the Airport for a period not exceeding 3 (three) months from the COD.

(i) On the expiry of such 3 (three) month period, the Senior Personnel shall be transferred out of the Airport and redeployed by the Authority.

(ii) It is clarified that the Concessionaire shall not be liable to bear any costs in respect of the Senior Personnel, which costs shall be borne entirely by the Authority."

Considering all the above, the Authority proposes to accept the weighted average employee salary cost of ₹ 17.50 lacs per annum in FY 2021-22 as appropriate. However, the Authority proposes to rationalize the growth rate by considering only 6% Y-o-Y for all the 4 FYs, starting from FY 2022-23 in line with what has been considered for Manpower Expenses of AAI employees.

Further, the Authority observes that the AO has submitted vide e-mail dated January 24, 2023 that they have incurred actual Total Manpower Expenses of AO's employees amounting to ₹ 17.14 Crores for the FY 2021-22 (as against the estimated amount of ₹ 20.37 Crores) and the Aeronautical portion of such expenses works out to ₹ 16.30 Crores, which the Authority, proposes to consider for FY 2021-22. However, the Authority proposes to consider the weighted average annual employee cost of ₹ 17.50 lacs per annum estimated by the AO, for the remaining four tariff years, i.e., FY 2022-23 to FY 2025-26, with inflationary effect from FY 2022-23.

b. Increase in Employee Headcount – The Airport Operator has projected an increase in Total Employee Headcount from 120 as at the end March 2022 to 420 (rounded off) as at the end the Third Control period. The table below depicts increase in the Total Headcount Y-o-Y with break-up of Aeronautical (department wise) and Non-aeronautical employees, wherein substantial increase (approximately 100 employees) has been projected during FY 2022-23 and FY 2023-24.

Table 102: Head Count of Employees added by the Airport Operator for the Third Control Period and Department-wise break-up for each FY

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Justification provided by Airport Operator
Aero Employee Headcount	98	190	279	316	362	
Non-aero Employee Headcount	4	5	7	8	10	
Common employees	21	31	41	49	53	
Total Employee Headcount	123	226	327	373	425	
Rounded off to Total Employee Head count (as per MYTP)	120	220	320	370	420	
Aero % applied by AO	97%	97%	97%	97%	97%	
Aeronautical employees	**116**	**213**	**310**	**359**	**407**	
Non-aeronautical employees	4	7	10	11	13	

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Justification provided by Airport Operator
Department-wise break-up of Aeronautical employees						
Chief Airport Officer's office (CAO office)	2	3	3	4	5	As per Concession Agreement, Clause 6.5.3. AAI employees with designation over DGM and above have been transferred out by AAI and they are not associated with the Airport after 3 months from COD. Accordingly, Airport Director and all HoDs have been transferred out and are not working at CCSIA. He is responsible for overall operations and management of the Airport. Department is akin to erstwhile Office of Airport Director. He is supported by relevant staff for analysis, reviews, KPI management, regular review, action taken follow-ups, stakeholder management, etc.
Techno Commercial (Procurement department)	5	8	9	10	11	AAI do not have any local purchase department at site. All the procurement at AAI is done centrally through tendering process. Techno commercial function is responsible for procurement of various requirement of user department, management of contract, RFP issue, onboarding of vendor, etc. Employee composition includes HoD and support staff.
Corporate communication	1	1	2	3	3	As per Clause 18.1.1 (q), CCSIA is required to have public relations officers who will interface with various stakeholders.
Corporate Affairs	1	1	1	2	2	Position required to interact with various state government, local municipalities, utility boards, local police, land department etc. on day-to-day basis.
Security	5	10	15	15	15	Currently there is no person deputed for carrying out Security function at the Airport. Earlier AAI was only performing pass section function with an outsourced support. However, there are various activities which need to be performed by CCSIA like CISF Documentation, Airport Security Program, Kerb Side Management, Traffic Management, Airport Operator Security Control Room, Security System Maintenance, Encroachment outside and perimeter area, Intelligence and

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Justification provided by Airport Operator
						Vigilance Gathering, Avsec Training and Compliances, Landside Operations, BCAS Compliance requirements. CCSIA will be carrying out the functions with a combination of on-roll and outsourced employees. CCSIA has assumed 15 employees on-rolls which is a composition of 1 CSO, 4 Pass Section, 2 Avsec Audit and Compliances, 2 Loss Prevention and Automation, 2 landside operations and others. Other operations like Kerb side, Tout Management, Traffic Management, Encroachment Prevention, Security System Maintenance etc. are expected to be outsourced.
Legal	1	2	3	3	3	AAI does not have legal positions at the Airport. Composition includes 1 HoD and 2 department supporting staff.
Safety	1	2	2	3	3	As per Concession Agreement clause 18.15.4, CCSIA is expected to create Airport Safety Management Unit (ASMU) and designate one of its officers to be in-charge of the ASMU. Composition includes 1 Aviation Safety Expert and 2 associates.
Quality	2	3	3	3	3	Under clause 23.1 of concession Agreement, CCSIA is obligated to monitor and measure quality of service on the parameters prescribed in the Concession Agreement. Further as per Concession Agreement, CCSIA is expected to maintain relevant ISO certification and other quality certifications for all the facilities controlled and managed by CCSIA. Composition includes 1 Quality Expert and 2 associates.
Customer Engagement	2	3	4	5	6	CCSIA is expected to perform ASQ rating and take customer feedback on the various facilities, improvement areas at the Airport. Composition includes 1 HoD and 3 associates.
Information Technology	3	5	8	9	10	AAI does not have Information Technology team to support the IT functioning of the Airport. IT is a backbone of the Aviation, and all the critical systems need to be running with zero downtime. Critical systems include AODB,

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Justification provided by Airport Operator
						FIDS, PDAs, SAP, Business Analytics, Integration with ATC, VDGS, Radio Sets, Desktops, Laptops, Billing Software, Document Management System, Access Control System etc. Composition includes 1 HoD, and Support staff.
Airside Management	15	30	55	59	59	As per Clause 18.1.1 (d), (f) and (g), CCSIA is responsible to maintain and operate Airside including Runway, Taxiways, Apron, Approach Areas etc. Also it is mentioned in the CNS-ATM Agreement about the airside obligations to be performed by AO. CCSIA is responsible to establish Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services. Further these activities are strictly regulated by DGCA as part of legal framework of Aerodrome Operating License under CAR section 4, series F part 1. Lastly as a part of capex expansion plan there is a new Terminal 3 coming up which is 400% bigger than existing terminal facilities. This requires new Airside facilities like New Apron, RESA, Taxiways, Apron Expansion, etc. There will be requirement for additional manpower to operate these facilities. The composition includes In Charge Airside, Duty Managers, Duty Officers, Airside Executive, Airside Ground Maintenance, Aerodrome Licencing, Aerodrome Safeguarding, Wildlife Hazard Management, Environment Sustainability.
Regulatory	1	1	1	1	1	New position to support in regulatory filing with AERA.
Terminal and Operation	10	20	35	40	50	Construction of new Terminal T3 (which is 400% bigger than existing terminal facilities) is under progress. It is expected that there will be requirement for additional duty managers, duty officers to cater to the increased area demand.

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Justification provided by Airport Operator
Human Resources and Admin	5	6	8	10	10	CCSIA is expected to consolidate and automate various positions/functions and will employ limited staff which will be comprising of HoD, HR Operations, Talent Acquisition, Compliances and Admin purposes.
Finance	3	5	6	7	8	Composition includes 1 HoD, and support staff for various functions under finance and accounts.
Engineering & Maintenance	13	19	27	30	35	Currently AAI has over 60 employees in Civil, Technical and Engineering sections. There will be increase in Terminal Area by 400%, Increase in Airside Facilities, Increase in landside facilities, Utilities etc and there will be corresponding requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities. Considering all the above factors, AO is expected to consolidate the function and will have only 35 people on-rolls.
Aviation Rescue and Fire Fighting (ARFF)	4	6	10	10	10	AO has carried out an internal assessment on ARFF Task Resource Analysis and as per the assessment done, there is requirement for 101 employees in ARFF for category-8 (due to size of the aircrafts being handled at the airport). Based on the same, AO has projected ARFF employees ranging from 4 – 10 numbers, in the positions of Assistant Manager and above. Whereas the 90 Fire Fighters are projected for shift duties. Currently AAI has 51 ‘select employees’ at CCSIA but the AO is expected to employ additional Fire fighters to fulfil the desired requirement.
Fire Fighters	9	30	60	75	90	
Inline Baggage Screening System	33	58	58	70	83	CCSIA has inland baggage systems which requires specialised Screening manpower. Previously AAI used to do it through outsourced agency. However, AO has decided to insource the function with its own manpower.

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Justification provided by Airport Operator
Total Aeronautical Employee Head count	**116**	**213**	**310**	**359**	**407**	

The Authority notes that the Airport Operator has estimated the increase in number of employees mainly towards functions relating to Security, Airside management, Terminal operations, Engineering & Maintenance, Firefighting and Inline Baggage Screening System (ILBS) considering the projected growth in traffic, construction and operationalization of the new Terminal Building T3 in FY 2022-23 and FY 2023-24 respectively and also that, the deemed deputation period of the *'Select Employees'* deputed by AAI expires during the FY 2023-24.

In this background, the Authority examined the Aeronautical Employee Head Count of CCSIA for the period from FY 2016-17 to FY 2019-20 (Pre-COVID year) and notes that the 4-year average employee headcount is 168 and the details of the same are given in below table:

Table 103: Headcount of Aeronautical employees of CCSIA for the Period from FY 2016-17 to FY 2019-20

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	4 – Year Average
Employee Headcount *	156	175	174	167	**168**

* *Refer Table 18 of Study on Efficient Operation and Maintenance Expenses for CCSIA.*

The Authority also notes that the construction of Phase 1 of new Terminal Building T3 is expected to be completed in FY 2023-24 and hence, the operationalization of T3 will happen only in the next FY, i.e., FY 2024-25. However, the AO has projected increase of approx. 100 employees each in FY 2022-23 and FY 2023-24 based on their original estimated completion of construction of T3 in FY 2022-23.

The Authority also examined the growth projected in Passenger traffic and ATM during the Third Control Period for CCSIA (refer Table 57) and observes that, the trend is positive and the traffic is expected to reach Pre-COVID level during FY 2022-23. The same has been presented in the following table:

Table 104: Estimated Passenger and ATM traffic of CCSIA

Particulars	FY 2019-20 (Pre-COVID)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Passenger Traffic (in lacs)	54.34	33.04	53.17	62.49	75.53	89.83
ATM Traffic (In '000s)	38.49	29.36	37.79	43.30	52.21	61.96

However, considering the following pertinent factors such as:

- The new Terminal Building T3 is projected to be completed only in two phases i.e., Phase 1 in FY 2023-24 and Phase 2 in FY 2024-25 with corresponding operationalization expected in FY 2024-25 and FY 2025-26 respectively
- There are existing employees of AAI i.e., 'Select Employees' deputed to CCSIA and

- The previous airport operator, namely, AAI had been maintaining the prescribed ASQ rating of CCSIA with the aforementioned employee headcount (refer Table 103).

The Authority is of the view that despite the positive growth projected in Passenger traffic and ATM, the Aeronautical Employee Head Count projected by the AO (which is at 407 towards the end of the Third Control Period), is not justified and the same needs to be rationalised.

Based on the above, the Authority has analysed the Employee Headcount projected vis-à-vis the functions of each department mentioned in Table 102 and proposes the following revision in Aeronautical Employee Headcount projected by AO for the Third Control Period:

(i) Security department – The Authority notes that the AO will be outsourcing certain activities pertaining to Security department. Hence, the Authority proposes to consider only 50% of the Aeronautical Employee Headcount projected by the Airport Operator for all the tariff years of the current Control Period.

(ii) Customer Engagement department – the Authority proposes to retain the Employee Headcount at 3 for the last three (3) tariff years for the department as against 4 / 5 / 6 employees respectively claimed by the AO, as the Authority feels that this function relates to ASQ rating activity, which is performed only on a quarterly basis, that too through outsourced Consultancy Firms.

(iii) Airside Management – the Authority notes that the Headcount projected by AO for all the tariff years is on the higher side considering the fact that, the work on ground handling (outsourced) and VDGS system is already in place. Further, the activity of bird chasing has been outsourced by the AO. Based on the above factors, the Authority proposes to consider 75% of the Aeronautical Employee Headcount projected by the Airport Operator for the first 2 tariff years i.e., eleven (11) and twenty-three (23) employees respectively. However considering the increase projected in the ATM traffic during post-pandemic recovery in the current Control Period, the Authority proposes to increase the number to thirty employees (30) / thirty five employees (35) / forty employees (40) respectively in the next three tariff years as against 55 / 59 / 59 employees respectively, claimed by the AO.

(iv) Terminal Operations department – the Authority observes that the number of Employee Headcount projected by the AO for the department is on the higher side considering that there are existing employees of AAI (i.e., *'Select Employees'* deputed to CCSIA) at the Airport till the deemed deputation period and hence, proposes to consider 75% of the Headcount projected by the AO, for all the five (5) tariff years.

(v) Engineering & Maintenance department – the Authority notes that there are existing employees of AAI (i.e., *'Select Employees'* deputed to CCSIA) at the Airport till the deemed deputation period similar to Terminal Operations department and hence the Authority proposes to consider 75% of the Aeronautical Employee Headcount projected by the Airport Operator for all the five (5) tariff years of the Third Control Period.

(vi) Fire-fighting department – the Authority notes that the Employee Headcount of thirty (30) projected by the AO in FY 2022-23 is on the higher side as there are existing employees of AAI (i.e., *'Select Employees'* deputed at CCSIA) already handling the departmental function. Hence, the Authority proposes to consider twenty (20) employees in FY 2022-23 as reasonable. However, the Authority considers the projected Employee Headcount of sixty (60) / seventy-five (75) / ninety (90) respectively for the last three (3) tariff years for Fire-fighting as reasonable.

(vii) ARFF – the AO has projected 10 employees for the department in the last three (3) tariff years of the Third Control Period. The Authority is of the view that the AO has already projected 60 / 75

/ 90 employees respectively towards Fire-fighting for the last three (3) tariff years as per DGCA guidelines. Such employees are also involved in related activities. Hence, the Authority proposes to consider 6 employees for ARFF for the last Three (3) tariff years as against 10 employees claimed by the AO.

(viii) Inline Baggage Screening system (ILBS) – the Authority notes that the Inline Baggage Screening system was commissioned at CCSIA in June 2020 (i.e., Pre-COD period) by AAI based on approval from DG, BCAS vide their letter dated March 9, 2020. The function was outsourced to AAI Cargo Logistics and Allied Services (AAICLAS) and handled by AAICLAS till March 2021. Subsequently the AO has started handling the function in-house i.e., from FY 2021-22.

Considering this background, the Authority examined the Employee Headcount projected by the AO ranging from thirty-three (33) in FY 2021-22 to eighty-three (83) in the last tariff year and compared the same with the number of employees engaged by AAICLAS in FY 20-21, namely, 42 employees (28 Security screeners and 14 Multi tasker) as per the invoice submitted for the month of December 2020.

However, considering the projected traffic growth during the current Control Period, the Authority proposes to consider the Employee Headcount of thirty-three (33) projected by AO for the first tariff year and increase the number for the next 4 tariff years to forty (40) / fifty (50) / sixty (60) / eighty-three (83) employees respectively as against 58 / 58 / 70 / 83 employees claimed by the AO. The Authority proposes the aforementioned increase in Headcount number from FY 2022-23 to FY 2025-26, such that the increases in employee headcount corresponds to the projected increase in the traffic growth at the end of the current Control Period. .

Based on all the above factors, the Aeronautical Employee Headcount proposed to be considered by the Authority and the revised Employee Headcount Ratio derived for the Third Control Period is shown in the Table below:

Table 105: Aeronautical Employee Head Count of the Airport Operator and the Revised EHCR proposed by the Authority for the Third Control Period

Particulars	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Aeronautical Employee Head count claimed by the Airport Operator	**116**	**213**	**310**	**359**	**407**
Chief Airport Officer’s office (CAO office)	2	3	3	4	5
Techno Commercial (Procurement department)	5	8	9	10	11
Corporate communication	1	1	2	3	3
Corporate Affairs	1	1	1	2	2
Security	3	5	8	8	8
Legal	1	2	3	3	3
Safety	1	2	2	3	3
Quality	2	3	3	3	3
Customer Engagement	2	3	3	3	3
Information Technology	3	5	8	9	10
Airside Management	11	23	30	35	40
Regulatory	1	1	1	1	1
Terminal and Operation	8	15	26	30	38
Human Resources and Admin	5	6	8	10	10
Finance	3	5	6	7	8
Engineering & Maintenance	10	14	20	23	26

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Aviation Rescue and Fire Fighting (ARFF)	4	6	6	6	6
Fire Fighters	9	20	60	75	90
Inline Baggage Screening system	33	40	50	60	83
Aeronautical Employee Head count rationalized by the Authority	**105**	**163**	**249**	**295**	**353**
Non-aeronautical employees	4	7	10	11	13
Revised Total Employee Headcount of AO, derived by the Authority	**109**	**170**	**259**	**306**	**366**
Revised Employee Headcount Ratio of AO, derived by the Authority	97%	96%	96%	96%	97%
5-year Average of Revised Employee Headcount Ratio of AO, derived by Authority	96%				
Total Employee Headcount (i.e., both AAI and AO employees) derived by Authority	**269**	**330**	**259**	**306**	**366**
5-year Average of Revised Total Employee Headcount Ratio (both AAI and AO employees) derived by the Authority	96%				

The Employee cost proposed by the Authority for AO's own employees, based on revised Aeronautical Employee Headcount is shown below:

Table 106: Manpower Cost of Aeronautical Employees proposed by the Authority, based on the revised Head Count for the Third Control Period

Particulars	Unit	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Employee Headcount claimed by AO	No.	116	213	310	359	407	
Growth % claimed by the AO	%	15%	15%	15%	15%	15%	
Manpower Cost of AO's employees claimed by the AO	₹ in Crores	20.37	42.95	71.84	95.52	124.70	**355.37**
Aeronautical Employee Head count proposed by the Authority	**No.**	105	163	249	295	353	
Growth % proposed by the Authority	**%**	-	6%	6%	6%	6%	
Manpower Cost of AO's employees proposed by the Authority *	₹ in Crores	16.30	30.24	48.96	61.49	77.99	**234.97**

* *Note – The Manpower cost for the FY 21-22 is based on actuals reported by AO*

<u>Utility Expenses</u>

10.2.14. The Authority examined the expenses towards Utilities and noted the following:

a. **Power expenses**: Airport Operator has projected the Electricity costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 20.25% of the total electricity cost). The Authority notes that the projected power recovery percentage is lower than that of comparable airports. The Authority compared the actual Electricity costs of ₹ 7.77 crores (after recovery of 16.08%) incurred by AO for FY 2021-22 as against the projected costs of ₹ 7.74 Crores and proposes to consider the actual expenses of FY 2021-22. Further, for the first 6 months of FY 2022-23 i.e., April 2022 to September 2022, the AO has submitted the actual expenses as

₹ 6.14 Crores (after recovery of 8.7%) and extrapolated the same to derive the expenses which is approximately ₹ 10 Crores up to March 2022. The Authority finds the same to be reasonable and proposes to allow ₹ 10 Crores towards power expenses for FY 2022-23. The Authority further proposes to apply Y-O-Y increase towards inflation for the next three (3) tariff years on the derived expenses of FY 2022-23 (refer growth rates mentioned in Table 91).

In respect of power recovery from the Concessionaires, the Authority is of the view that with the gradual increase in the Non-aeronautical operations, the Airport Operator should correspondingly increase the power recovery. Accordingly, the Authority proposes that the Airport Operator shall constitute a Committee to verify the bills relating to Power expenses and submit a report on the same to the Authority as part of Stakeholder comments / feedback. In case such report is not submitted by the Airport Operator, the Authority proposes to consider power recoveries at a notional rate while issuing the tariff order of the Third Control Period.

The Airport Operator has also proposed to increase the cost Y-o-Y by 5% during the Third Control Period and an additional increase of 274.94% in FY 2023-24 and 32.63% in FY 2024-25 on account of operationalization of the new Terminal Building (T3). The Authority based on its view already mentioned in paragraph 10.2.12 and Table 99, proposes to consider the additional increase of 183.30% in Power costs in the FY 2024-25 in line with the revised Capitalization Schedule proposed by the Authority.

b. **Water and Fuel charges**: The Airport Operator has assumed 5% Y-o-Y increase in water and fuel charges for all the five (5) tariff years in Third Control Period and an additional increase of 274.94% in FY 2023-24 and 32.63% in FY 2024-25 on account of operationalization of the new Terminal Building (T3). The Authority reviewed the submission of Airport Operator and notes that the fuel charges claimed by the Airport Operator pertain to the diesel fuel required for operating the Generators. Further the Authority examined the actual expenses of ₹ 1.12 Crores incurred by AO towards Water and Fuel charges as against ₹ 1.54 Crores projected in the MYTP and proposes to consider the actuals (i.e., ₹ 1.12 Crores) for FY 2021-22 and also apply Y-O-Y increase towards inflation for the remaining four (4) tariff years on such actual expenses, as per Table 91.

As mentioned in the above paragraph for 'Power expenses', the Authority proposes to allow the one-time increase of 183.30% in the FY 2024-25 as the same would take effect only after operationalization of the new Terminal Building in line with the revised Capitalization Schedule proposed by the Authority. The details of Utility expenses claimed by the AO and allowed the Authority are summarized in the table below:

Table 107: Utility expenses claimed by AO and proposed by the Authority for the Third Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	TOTAL
Total Utilities claimed by AO	9.28	9.74	38.14	53.01	55.66	**165.82**
i. Power expenses	7.77	10.00	10.50	30.27	31.79	**90.33**
ii. Water expenses	1.12	1.24	1.30	3.74	3.93	**11.32**
Total Utilities proposed by the Authority (i) + (ii)	**8.89***	**11.24**	**11.80**	**34.01**	**35.72**	**101.65**

* *Actuals considered for FY 21-22*

IT expenses, Rates & Taxes and Security expenses

10.2.15. The AO has claimed an increase of 15% Y-o-Y for IT expenses and Security expenses and 5% Y-O-Y towards Rates & Taxes as well as an additional increase during FY 2023-24 and FY 2024-25 due to the proposed increase in the Terminal Building area for the aforementioned expenses. The Authority examined the actual expenses incurred by the AO during FY 2021-22 for the aforementioned expenses and proposes to consider the same for FY 2021-22.

Table 108: Comparison of Projection vs Actuals for FY 2021-22

(₹ in Crores)

Particulars	Projection in MYTP – FY 2021-22	Actuals submitted by AO – FY 2021-22	Considered by the Authority for FY 2021-22
IT expenses	5.00	3.92	**3.92**
Rates & Taxes	2.50	1.92	**1.92**
Security expenses	5.00	4.50	**4.50**

i. In respect of the Y-O-Y growth rate claimed by the AO, the Authority proposes to revise the same as per inflation rates proposed in Table 91 across the five (5) tariff years of the Third Control Period and also apply the same on the actuals of FY 2021-22 for the aforementioned expenses.

ii. Further, the Authority proposes to allow one-time escalation towards operationalization of new Terminal Building for the aforementioned expenses as already mentioned in Table 99 and paragraph 10.2.10 above.

iii. The details of all the aforementioned expenses claimed by the AO and allowed by the Authority are summarized in the table below:

Table 109: IT expenses, Rates & taxes and Security expenses claimed by AO and proposed by the Authority for the Third Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Claimed by AO						
IT expenses	4.83	5.56	7.50	10.13	11.65	**39.68**
Rates & taxes	2.37	2.49	17.56	18.43	19.35	**60.20**
Security expenses	4.83	5.56	9.17	15.13	17.40	**52.10**
Proposed by the Authority						
IT expenses	3.52	3.89	4.09	5.11	5.36	**21.97**
Rates & taxes	1.88	2.08	2.18	8.28	8.70	**23.11**
Security expenses	4.41	4.87	5.12	7.93	8.33	**30.66**

Security Others (Counter drone system)

10.2.16. The Authority on its examination of the expense claimed towards Security Others and notes the following:

i. Airport Operator has projected expenses of ₹ 15.60 Crores in FY 2021-22 with an increase of 5% Y-o-Y towards charges proposed to be paid to a Service Vendor for commissioning, operation and maintenance of ‘Aerial Threat Detection and Neutralization System’ (i.e., Counter-Drone system) at CCSIA based on the directive of Bureau of Civil Aviation Security (BCAS), which had directed the Indian Airports to implement sophisticated, reliable, robust and highly effective Counter drone technology/solution for Surveillance, detection and Neutralization of drones/ UAVs vide AVSEC Circular no 02/2020 dated February 11, 2020 and vide addendum dated February 9, 2021 to the said circular.

ii. However, the Authority notes that the above-mentioned Circular has been subsequently withdrawn by BCAS vide Order No. CAS-6(11)/2018/ Div-I/RPA/ (Part2)/ 180940 dated February 23, 2022 and hence the Authority proposes not to consider this expense during the Third Control Period.

Corporate Allocation Cost

10.2.17. The Airport Operator has claimed Corporate Allocation Cost of ₹ 12.00 Crores towards Corporate Support Services received from the Holding Companies, namely, AEL and AAHL for the FY 2021-22 and projected 15% increase Y-o-Y during the Third Control Period.

(i) The Authority observes from the Note provided by the AO (refer Appendix IV for the Note on Corporate cost allocation study report), that it has engaged an independent consultant, to conduct a Study on Corporate Cost allocation and based on the Study Report, they have submitted the following in support of their claim for Corporate cost allocation:

- AEL provides various strategic functions/activities like corporate finance, legal, central procurement, green initiative, ESG, Information technology, human resource management, etc., and also includes various leadership functions. AAHL through its corporate structure, provides expertise and specialist domain knowledge in Airports Operation, Airside Management, Master Planning, Designing, Airport Development, Airport Regulatory, Hospitality, Customer management, Cargo Development and management, Airline Marketing, Non-Aeronautical etc.

- AEL and AAHL incur costs at the corporate level to provide these services and support to various Group Companies (including Airports) and Airport companies. The major composition of these costs includes salaries and administrative costs. These costs (except shareholders services and non-Aeronautical services) are recovered by AEL and AAHL through a pre-determined, appropriate allocation method.

- Similar corporate cost allocation process is used by other private airport operators' holding entities, such as GMR Infrastructure Limited (GIL) and GMR Airports Limited (GAL), which provide corporate administration services to DIAL and GHIAL, and their costs are allocated based on suitable drivers. Similarly, AAI also allocates its Central Head Quarters (CHQ) / Regional Head Quarters (RHQ) costs to various airports based on appropriate cost drivers.

(ii) The Authority further examined the actual cost allocated to CCSIA for FY 2021-22 and observes that it is ₹ 12.78 Crores as compared to the projection of ₹ 12 Crores claimed in their MYTP and the detailed break-up of the actual cost along with the basis of allocation submitted by the AO for the FY 2021-22 is as follows:

Table 110: Details of Actual Corporate Allocation cost incurred with allocation basis submitted by the Airport Operator for the FY 2021-22

(₹ Crores)

Particulars	Department	Allocation Key (basis)	Admin cost	Salary cost	Total
	Finance, Tax and Internal Audit	Ratio of Debt raised for a SPV to total Debt raised for Adani Group,	0.10	0.19	**0.29**

Particulars	Department	Allocation Key (basis)	Admin cost	Salary cost	Total
AEL		Ratio of Turnover of a SPV to Total Group Turnover and Ratio of Full Time Equivalents (FTE) allocated to a SPV to total FTEs			
	HR and Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	0.70	1.43	**2.13**
	CMD Office and Support Staff	Ratio of a SPV PBT to Group PBT and Airport budgeted expenditure to Total budgeted expenditure	0.73	1.47	**2.20**
	IT	Ratio of Number of IT users in a SPV to total Group users	0.35	0.72	**1.07**
	Legal	Ratio of Legal Budget of a SPV to Total Legal Budget	0.02	0.04	**0.06**
	Procurement	Ratio of Turnover of a SPV to Total Group Turnover	0.01	0.01	**0.02**
	Land & Estate	Ratio of a SPV PBT to Group PBT	0.01	0.03	**0.04**
	Total (A)		**1.92**	**3.89**	**5.81**
AAHL	Human Resources and Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	0.25	1.01	**1.26**
	Finance	Ratio of Debt raised for a SPV to total Debt raised for Airport Group	0.31	1.26	**1.57**
	Operations (Airline Marketing, Operation, Security, HSE, Regulatory)	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.07	1.25	**1.32**
	IT	Ratio of Number of IT users in a SPV to total IT users in all airports	0.07	0.38	**0.39**
	Inhouse Legal Team	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.01	0.04	**0.05**
	Cargo Development	Ratio of Per Pax Revenue of a SPV to total Per Pax Revenue of all airports	0.02	0.09	**0.11**
	CEO Office	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.62	2.48	**3.10**

Particulars	Department	Allocation Key (basis)	Admin cost	Salary cost	Total
	Total (B)		**1.39**	**5.57**	**6.97**
	Total (A) + (B)		**3.32**	**9.46**	**12.78**

(iii) The Airport Operator has submitted that the activities of certain Functions such as Finance, HR & Admin and IT are performed both centrally at Corporate (AEL, AAHL) and at the individual Airports. The same has been detailed as follows:

- **Activities performed at Corporate level:** These are strategic, decision-making activities that are carried out across the Group such as:
  - Designing policies and procedures, benchmarking and standardisation of processes across the Group
  - Monitoring annual budgeting process
  - Implementation of ERP for the Group (particularly Finance and HR functions)
  - Reviewing performance of the Group and providing guidance to Group Companies
  - Maintaining Adani Airports Information Repository, standards in software development and networking.
  - Identifying new revenue generating IT services, technologies and solutions.

- **Activities performed at the Airport:** These are operational in nature which includes:
  - Recording of Financial data in ERP
  - Preparation of monthly MIS for presenting it to Corporate team
  - Financial due diligence of various proposals.
  - Conducting interviews at site level for hiring of manpower and managing manpower at the site.
  - Executing Performance appraisal process and providing feedback to Corporate team.
  - Executing day-to-day IT requirements at the Airport.
  - Maintaining airport related IT assets such as AODB, FIDS, software used in AOCC, etc.
  - Support HO/Corporate IT team in the areas of IT Strategy, delivery and Governance.

(iv) The Authority notes that AEL on overall basis, extends support and guidance to various Group Companies and AAHL provides expertise and specialist domain knowledge to the Airport Companies, which are essential for the sustainable operations of the business. The major composition of the costs of these services includes salaries and administrative costs that are recovered by AEL and AAHL through an appropriate allocation method. Further, this process is consistent with the approach followed by other PPP airports such as DIAL, GHIAL etc. for allocation of Corporate costs to the Airports. Based on the above factors, the Authority considers the apportionment of costs of AEL and AAHL to CCSIA as reasonable.

(v) Considering all the above, the Authority proposes to consider the actual cost of ₹ 12.78 Crores for FY 2021-22, as compared to the projected cost of ₹ 12.00 Crores.

(vi) However, the Authority observes that the aforementioned actual cost includes the costs of inhouse legal team, which is in addition to the cost of employees of Legal department, already considered under the manpower expenses of the Airport Operator (refer Table 105 above) and is not justified. Hence, the Authority proposes to exclude ₹ 0.11 Crores from the Corporate Allocation cost submitted by the AO and allow the remaining amount of ₹ 12.67 Crores for FY 2021-22.

(vii) Further the Authority observes that Salary cost constitutes the major portion of the Corporate Cost and hence, proposes to rationalize the increase claimed by the Airport Operator to 6% Y-o-Y across all the five tariff years in the Third Control Period, which is in line with the increase proposed for Manpower expenses under Para 10.2.11 (ii) above.

(viii) The details of Corporate Allocation Expense claimed by the AO and allowed by the Authority are summarized in the table below:

Table 111: Corporate Allocation expenses claimed by AO and proposed by the Authority for the Third Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Corporate Allocation Expense claimed by AO	11.60	13.34	15.34	17.64	20.29	**78.21**
Corporate Allocation Expense proposed by the Authority	12.17*	12.90	13.67	14.49	15.36	**68.59**

***** *Actuals considered for FY 2021-22 after applying the prescribed allocation ratio proposed by the Authority in Table 97*

Administrative Expenses

10.2.18. The Airport Operator has projected ₹ 5 Crores for FY 2021-22 with an increase of 15% Y-o-Y for Administrative Expenses towards Professional & Consultancy, Sales & Marketing, Travelling & Communication, Printing & Stationery and Collection charges for UDF. The Authority notes that the AO has incurred actual Administrative expenses of ₹ 4.61 Crores (including ₹ 0.59 Crores of Collection charges for UDF) for FY 2021-22 as compared with the projection of ₹ 5 Crores in the MYTP and proposes to consider the actuals for FY 2021-22. Further the Authority proposes to consider the increase in Collection charges for UDF in line with the growth in Passenger traffic proposed for the Third Control Period for CCSIA, as per Table *57* Considering that CCSIA is a brownfield airport, the Authority proposes to consider inflationary effect as per Table 91, on such actual Administrative expenses (other than Collection charges for UDF), across all the five tariff years in the Third Control Period, in line with the other similar airports.

The details of Administrative expenses claimed by AO and proposed by the Authority have been summarized in the table below:

Table 112: Administrative expenses claimed by AO and proposed by the Authority for the Third Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Administrative expenses claimed by AO (including UDF charges)	4.83	5.56	6.39	7.35	8.45	**32.59**
i. Administrative expenses – Collection charges on UDF proposed by the Authority (A)	0.59	0.72	0.77	0.87	1.00	**3.95**
ii. Administrative expenses – Others proposed by the Authority (B)	3.94	4.35	4.57	4.80	5.03	**22.69**
Total Administrative expenses proposed by the Authority – (including UDF charges) C = (A+B)	4.53*	5.06	5.34	5.67	6.03	**26.64**

** Actuals considered for FY 2021-22 after applying the prescribed allocation ratio proposed by the Authority as per Table 97.*

Insurance expenses

10.2.19. The Authority examined the expense claimed by the Airport Operator towards Insurance and notes the following:

i. **Insurance on Opening Net block of assets** – The Airport Operator has claimed ₹ 1.50 Crores in FY 2021-22 and an increase of 15% Y-o-Y for Insurance expenses on the Opening Net block of Assets. The Authority, on review of the actual expenses incurred proposes to consider the same, i.e., approximately 1.16 Crores for FY 2021-22 and Y-o-Y increase towards inflationary effect as per Table 91 on such actual expenses for the entire Third Control Period. Further, the Authority has derived the Aeronautical expenses by applying Gross Fixed assets ratio (98.19%) as per Table 97.

ii. **Insurance on New Capital Expenditure** – The Airport Operator has also claimed Insurance expense at the rate of 0.10% on the cumulative value of Capitalized Total Assets for each tariff year. The Authority reviewed the same and proposes to consider the expense at the same rate of 0.10% on the revised cumulative value of Capitalized Aeronautical Assets that are forming part of RAB (refer Table 76). Further, the Authority proposes not to consider the allocation of 90:10 (Terminal Building ratio) for this expense, since the same has already been derived based on the Capitalized value of Aeronautical Assets.

The details of insurance expenses claimed by AO and allowed by the Authority are shown below:

Table 113: Insurance expenses claimed by AO and proposed by the Authority for the Third Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	TOTAL
Insurance expenses claimed by the AO	1.70	2.50	5.01	5.98	6.53	**21.73**
i. Insurance on Opening Net block of assets	1.14	1.26	1.32	1.38	1.45	6.55
ii. Insurance on New Capital Expenditure	0.08	0.30	0.82	2.75	2.81	**6.75**
Insurance expenses allowed by the Authority (i) + (ii)	**1.21***	**1.56**	**2.14**	**4.14**	**4.26**	**13.30**

** Actuals considered for FY 2021-22 after applying the prescribed allocation ratio proposed by the Authority as per Table 97.*

Repairs and Maintenance expenses

10.2.20. The Authority examined the expenses towards Repairs and Maintenance and noted that the same has been projected towards Civil, Electrical, Plant and machinery, Electronics and Others.

i. **Repairs and Maintenance on Opening Net block of Assets-** The Airport Operator has claimed ₹ 20.00 Crores in FY 2021-22 towards Repairs and Maintenance for Opening Net block of Assets and an increase of 15% Y-o-Y.

ii. **Repairs and Maintenance on New Capital Expenditure** – The Airport Operator has also claimed Repairs and Maintenance expense at the rate of 1.00% on the cumulative value of Capitalized Total Assets for each tariff year.

iii. The Authority as part of its review notes that the actual R&M expenses incurred by the AO for FY 2021-22 is ₹ 22.51 Crores (higher than its estimate of ₹ 20 Crores in the revised MYTP). Further, the Authority observes that out of the total amount claimed by the Airport Operator in each FY, the expense is higher than 6% of the Opening Net block of Aeronautical Assets for the first Three (3) tariff years of the Third Control Period and lower than 6% of the Opening RAB (Net block of Assets) for the last 2 tariff years, i.e., FY 2024-25 and FY 2025-26.

iv. The Authority is of the view that CCSIA is a brownfield airport, wherein Capital Additions have been newly proposed for the Third Control Period. As the newly constructed/ installed assets are covered under warranty clauses, they may need only minimum repairs and maintenance. The Authority, therefore, proposes to restrict the total repairs and maintenance expenses claimed by the Airport Operator to 6% of the Opening Net block of Aeronautical Assets for the FYs 2021-22, 2022-23, 2023-24 and consider the amount claimed by the Airport Operator towards repairs and maintenance for the FY 2024-25 and FY 2025-26.

v. Further, the Authority proposes not to consider the allocation of 90:10 (Terminal Building ratio) for this expense, since the same has already been derived based on the Capitalized value of Aeronautical Assets. The amount claimed by the Airport Operator (as per row 'D') and Proposed by the Authority (as per row 'E') is shown in the table below:

Table 114: Repairs and Maintenance on Opening Net block of Assets claimed by the Airport Operator and 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
Opening net block (Table 84)	183.26	236.13	434.70	901.16	2,745.32	
Repairs and Maintenance – Opening Net block of Assets claimed by the Airport Operator (A)	20.00	23.00	14.95	17.19	19.77	94.91
Repairs and Maintenance – New Capital Expenditure claimed by the Airport Operator (B)	-	8.65	31.98	39.08	41.35	121.06
Total Repairs and Maintenance – claimed by the Airport Operator (C = A+B)	20.00	31.65	46.93	56.28	61.12	**215.97**
Aeronautical Repairs and Maintenance – claimed by the Airport Operator (D)	18.97	30.02	44.52	53.38	57.98	**204.87**
Aeronautical Repairs and Maintenance Proposed by the Authority (E)	11.00	14.17	26.08	53.38	57.98	**162.61**

<u>Other Operating expenses</u>

10.2.21. The Airport Operator has claimed Other Operating Expenses of ₹ 10 Crores in FY 2021-22 towards Housekeeping of Terminal area & ancillary buildings, Horticulture, Pest control, Biomedical waste management, Hire charges, Facility management services & trolley management, etc. and an increase of 15% Y-o-Y for all five (5) tariff years. Further, the AO has sought an additional increase of 274.94% in FY 2023-24 and 32.63% in FY 2024-25 on account of operationalization of the new Terminal Building (T3).

i. The Authority examined the above submission of the AO and notes that the major portion of the above expense has been estimated towards Mechanised Environmental Support Services (MESS) & Maintenance of Terminal area, Environmental Support Services (ESS) of ancillary building and paved area and Horticulture expenses.

ii. Further, the Authority notes that the AO has incurred actual expenses of ₹ 11.82 Crores for FY 2021-22 as against the projected amount of ₹ 10 Crores in the revised MYTP. It is observed that more than 50% of the actual expenses have been incurred towards MESS, ESS, maintenance of Terminal area and horticulture expenses for which, the AO has already issued the LOA / Contract to the third-party vendor. Considering the same, the Authority proposes to consider the actual expenses of ₹ 11.82 Crores for FY 2021-22. However, in respect of Y-o-Y growth rate claimed, the Authority feels that the increase towards inflationary effect as per Table 91 should only be considered, instead of 15% increase Y-o-Y claimed by the Airport Operator.

iii. In respect of additional increase of 274.94% in FY 2023-24 and 32.63% in FY 2024-25 sought by the AO towards the projected increase in Terminal area, the Authority proposes to adopt the growth rates as mentioned in paragraph 10.2.12 and Table 99 above.

iv. The Authority's proposal for Other Operating expenses as against the AO's submission is shown below:

Table 115: Other Operating expense claimed by the Airport Operator and 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
Other Operating expenses claimed by AO	9.49	10.91	42.54	62.80	72.22	**197.95**
Other Operating expenses proposed by the Authority	10.64*	11.75	12.33	35.56	37.33	**107.61**

***** *Actuals considered for FY 2021-22 after applying the prescribed allocation ratio proposed by the Authority as per Table 97*

Amortization of Runway recarpeting expenses

10.2.22. The Airport Operator has claimed amortization of ₹ 8 Crores projected towards expenditure on Runway Recarpeting works over a period of five (5) FYs starting from FY 2025-26 (last tariff year) and based on AERA's Order No. 35 / 2017-18 dated January 12, 2018 in their revised MYTP dated January 10, 2022. Subsequently, the AO has submitted a detailed estimate projecting one layer of SDAC overlay in addition to one surfacing layer of DAC. The Authority is of the view that overlaying the runway with two layers (SDAC and DAC) will lead to increase in PCN value and thereby it has been considered as part of CAPEX.

The Authority after examining detailed estimate submitted by the AO, proposes to consider ₹ 40 Crores as CAPEX for the current Control Period (refer para 7.3.7 B1. (d) under Chapter 7).

Fuel Operating Expenses

10.2.23. Clause 19.3. of the Concession Agreement stipulates the Airport Operator's obligations towards providing aircraft fueling services (refer to paragraph 17.3.7 of Annexure 3 of Chapter 17 of this Consultation Paper)

10.2.24. The Airport Operator has submitted total Fuel O&M expenses of ₹ 52.55 Crores based on the following assumptions regarding Fuel facility Operations:

i. The Airport Operator has projected that the Fuel farm facility operations will commence from May 2022 onwards (i.e., 11-month period in FY 2022-23) and continue for the remaining three (3) tariff years of the Third Control Period.

ii. The Airport Operator has estimated the Fuel Throughput volume at the rate of approximately 3-4 KL per ATM for the Total ATM traffic projected in each tariff year.

iii. Further, the Airport Operator has submitted that they have outsourced the Fuel facility operations to a third-party vendor, namely, Sabarmati Infrastructure Services Limited who will manage the facility on '`minimum guarantee' amount up to specified quantity of 80,000 KL (i.e., fixed amount per year) and beyond the specified quantity of 80,000KL, on the basis of agreed Rate / KL (i.e., variable rate). The rates detailed in the Letter of Award issued by the AO to the vendor are as follows:

Table 116: Fixed and Variable Fuel O&M expenses claimed by the Airport Operator for each FY for the Third Control Period

Particulars	Unit	Quantity	Rate (₹)	Amount (₹ in Cr.)
Fixed amount for up to 80,000 KL per year	Month	12	64,10,000	7.69
Fee beyond 80,000 KL	Per KL	-	270.00	-

iv. As per the submission of the Airport Operator, the outsourced vendor was selected based on a competitive bidding process wherein three prospective vendors had submitted their proposals and the aforementioned vendor was selected as the 'service provider' based on technical eligibility and evaluation of the financial proposal of all the three prospective vendors.

v. Additionally, the Airport Operator has projected an increase of 5% towards inflation Y-O-Y on both fixed amount and variable rate / KL payable to the Vendor.

vi. Apart from the above, the Airport Operator has projected Rental cost of refuellers amounting to ₹ 1.50 Crores in FY 2023-23 and ₹ 1.30 Crores in FY 2023-24 for 10 numbers of Refuellers with varying capacity i.e., 6KL/11KL/16KL. The rental cost has been estimated for the first and second year of Operations i.e., FY 2022-23 and FY 2023-24 after which, the AO expects to have sufficient number of own refuellers to run the operations.

vii. The Airport Operator has further claimed an amount of ₹ 5.79 Crores towards asset write-off in FY 2023-24 which has been projected based on AO's plan to discard the assets acquired from various Oil Marketing Companies (OMCs) such as IOCL, Reliance etc. in FY 2021-22 once the new Greenfield Fuel facility becomes operational in FY 2023-24.

The Authority examined all the above and summarized its view as under:

a) The Authority proposes to consider the Fixed O&M and Variable O&M expenses as submitted by the Airport Operator for FY 2022-23. However, the Authority understands from AO's explanation that the outsourced vendor has commenced services only from August 1, 2022 and hence proposes to consider the estimated cost (both fixed and variable) proportionately for eight months during FY 2022-23.

b) Further the Authority proposes to consider the fuel throughput volume for the remaining 3 tariff years, i.e., FY 2023-24 to FY 2025-26, based on the growth rate proposed by the Authority for ATM traffic as per Table *57* and correspondingly derive the O&M expenses.

c) The Authority proposes to consider growth rate towards inflationary effect as prescribed in Table 91 above, for both fixed and variable O&M expenses during the last three tariff years of the Control Period.

d) The Authority has examined the Service orders issued by the AO to IOCL and Reliance BP Mobility Ltd in August 2022 towards lease rental of browsers and notes that the AO has planned to rent 10 numbers of refuellers (of varying capacity) for a period of 12 months and the total cost works out to approx. ₹ 1.20 Crores for the entire 12 months. The Authority proposes to allow rental cost proportionately for eight months during FY 2022-23 and remaining four months in FY 2023-24.

e) In respect of write off of assets claimed for ₹ 5.79 Crores, the Authority notes from the AO's explanation that the existing facilities taken-over from RIL and IOCL will be demolished once the new modern greenfield facility along with hydrant system is constructed / commissioned. The Authority therefore, proposes to allow the write-off of assets amounting to ₹ 5.79 Crores in the FY 2023-24.

f) Based on all the above proposals, the total Fuel O&M expenses proposed by the Authority have been shown below:

Table 117: Fixed and Variable Fuel O&M expenses claimed by AO vs proposed by the Authority for each FY

Particulars	Unit	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Fuel O&M expenses claimed by the AO	₹ in Crores	**-**	**9.77**	**19.83**	**10.77**	**12.17**	**52.55**
ATM traffic growth rate – proposed by Authority	In %	-	-	14.58%	20.58%	18.67%	
Fuel throughput volume (A)	KL	-	99,900	1,14,465	1,38,022	1,63,791	**5,16,179**
Fixed Fuel throughput volume (B)	KL	-	80,000	80,000	80,000	80,000	**3,20,000**
Variable Fuel throughput volume (C = A -B)	KL	-	19,900	34,465	58,022	83,791	**1,96,179**
Growth rate proposed by Authority towards inflation	In %	-	-	5.00%	5.00%	5.00%	
Fixed Fuel O&M expenses (up to 80,000 KL) (D)	₹ in Crores	-	7.69	8.07	8.48	8.90	33.14
Variable Rate / KL derived by the Authority	₹ Per KL	-	290.00	305.00	320.00	337.00	
Variable O&M expenses (above 80,000KL) I	₹ in Crores	-	0.58	1.05	1.86	2.81	6.29
Fuel O&M expenses (F = D + E)			**5.51 ***	**9.12**	**10.33**	**11.72**	**36.68**
Refuelers rentals Charges (G)	₹ in Crores	-	0.80	0.40	-	-	**1.20**
One-time expense (assets written off) (H)	₹ in Crores	-	-	5.79	-	-	**5.79**
Total Fuel expenses proposed by the Authority (I = Sum of F to H)	₹ in Crores	**-**	**6.31**	**15.31**	**10.33**	**11.72**	**43.67**

* *Fixed and variable Fuel O&M expenses for FY 2022-23 have been calculated for proportionate period of 8 months and for the entire year from next FY.*

Cargo Operating Expenses

10.2.25. Clause 19.4.1. of the Concession Agreement stipulates the Airport Operator's obligations towards upgrading, developing, operating and maintaining the Cargo facilities in accordance with the provisions of the Concession Agreement (refer to paragraph 17.3.5 of Annexure 3 of Chapter 17 of this Consultation Paper).

10.2.26. The Airport Operator has projected total Cargo expenses of ₹ 43.91 Crores for the Third Control Period towards in-house salary cost, outsourced O&M expenses and customs cost recovery based on the assumption of handling the interim cargo facility in the FY 2021-22 and constructing new Greenfield Cargo facility in FY 2022-23 mainly through an outsourced third-party vendor as well as in-house employees and Customs officials. Further, Cargo expenses have been increased by 10% for the 4 tariff years of the Third Control Period commencing from FY 2022-23.

Outsourced O&M expenses

The Authority examined the submission of the Airport Operator and notes that the outsourced contract for handling the Cargo facility has been projected to commence from mid-FY 2021-22 and the corresponding charges have been considered at the rate of ₹ 3,150 per MT of Volume projected for the respective FY with Y-o-Y increase of 10% over previous FY.

In this regard, the Authority verified the Cargo O&M Services Agreement entered into by the AO with the third-party vendor, namely, Rajputana Smart Solutions Limited, (contractor selected based on competitive bidding process) for a period of five (5) years and also the actual Rate / MT agreed upon by both the parties for the entire tenure of the Contract and notes that the actual rate for FY 2021-22 is ₹ 3,130 per MT (as against ₹ 3,150 per MT in the MYTP) and the same has been considered based on an increase of 10% Y-o-Y for the remaining four (4) tariff years of the Third Control period.

Further, the Authority notes that based on the above rate of ₹ 3,150 per MT of the Volume projected for FY 2021-22, the AO has claimed ₹ 2.21 Crores of outsourced O&M expenses in their MYTP as against actual expenses of ₹ 2.09 Crores incurred for the FY 2021-22. Hence, the Authority proposes to consider the actual outsourced Cargo O&M expenses of ₹ 2.09 Crores for FY 2021-22.

Additionally, the Authority proposes to allow growth rate prescribed in Table 91 towards inflationary effect as against the projected increase of 10%, for the Third Control Period.

In-house Salary cost and Customs cost recovery

The Authority observes that the Airport Operator has projected salary cost of their own employees for six (6) employees comprising of supervisory staff and duty managers at an average annual salary of ₹ 0.16 Crores per employee which works out to total in-house salary cost of approximately ₹ 1 Crore per annum starting from FY 2021-22. Further, this cost has been projected to increase proportionately with the increase in cargo volume handled by the AO apart from increase of 10% Y-o-Y in each FY. The Authority compared the actual salary cost of ₹ 0.78 Crores incurred by AO as against projection of ₹ 1 Crore and proposes to consider the actual expenses for the FY 2021-22 and further, apply the growth rate on such actual expenses for the next four tariff years. In this regard, the Authority proposes to revise the increase in salary cost to 6% Y-o-Y (as against 10% claimed by AO) in line with that allowed for Manpower expense of AAI and Airport Operator for the remaining four (4) tariff years of the Third Control period.

In addition to this, the Airport Operator has projected reimbursement of salary cost of Customs officials who will be handling the international cargo operations, under the head 'Customs cost recovery'. The Authority notes that the Airport Operator has taken over operations of both domestic and international cargo at CCSIA post-COD from AAICLAS, which was handling the cargo operations earlier. As a result, the AO has estimated the salary cost of five (5) Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated January 19, 2021 and arrived at ₹ 0.89 Crores per annum starting from FY 2021-22. Based on the above, the Authority proposes to consider the same as appropriate. However, the Authority proposes to allow growth rate as per Table 91 (inflationary effect) as against 10% claimed by the Airport Operator for the four (4) tariff years of the Third Control period.

Further, the Authority notes that the Cargo revenue projected by the AO for the Third Control Period is sufficient to meet the Cargo expenses. However, the Authority is of the view that the AO should take efforts to substantially increase the Cargo revenue and the same will be examined by the Authority at the time of true up of the next Control Period.

The Authority's proposal as compared to the AO's submission is summarized in the table below:

Table 118: Cargo O&M expenses claimed by AO and proposed by the Authority for each FY for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Claimed by AO						
Insourced Salary	1.00	1.22	1.44	1.75	2.11	**7.52**
O&M expenses	2.21	5.37	6.37	7.70	9.31	30.96
Customs cost recovery	0.89	0.98	1.08	1.18	1.30	**5.43**
Total Cargo O&M expenses	**4.10**	**7.57**	**8.89**	**10.63**	**12.73**	**43.91**
Considered by the Authority						
Insourced Salary	0.79	0.93	1.06	1.23	1.44	**5.45**
O&M expenses	2.09	5.36	5.77	6.65	7.68	**27.55**
Customs cost recovery	0.89	0.98	1.03	1.08	1.14	**5.12**
Total Cargo O&M expenses	**3.77**	**7.27**	**7.86**	**8.97**	**10.26**	**38.12**

10.2.27. After incorporating the above observations by the Authority, the revised Total Aeronautical O&M expenses including Fuel and Cargo Operating Expenses of CCSIA, Lucknow have been presented in the tables below:

Table 119: Operation and Maintenance (O&M) Expenses proposed by the Authority for CCSIA, Lucknow for the Third Control Period

(₹ Crores)

Particulars	Ref.	FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
O&M Expenses (other than Fuel and Cargo)							
Manpower expenses – AAI employees	Table 101	33.53	35.05	31.05	23.87	25.30	**148.79**
Manpower expenses – Airport Operator employees	Table 106	16.30	30.24	48.96	61.49	77.99	**234.97**
Utility expenses	Table 107	8.89	11.24	11.80	34.01	35.72	**101.65**
IT expenses	Table 109	3.52	3.89	4.09	5.11	5.36	**21.97**
Rates and Taxes	Table 109	1.88	2.08	2.18	8.28	8.70	**23.11**

Particulars	Ref.	FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Security expenses	Table 109	4.41	4.87	5.12	7.93	8.33	**30.66**
Security Others	-	-	-	-	-	-	**-**
Corporate Allocation Cost	Table 111	12.17	12.90	13.67	14.49	15.36	**68.59**
Administrative Expenses – Others	Table 112	3.94	4.35	4.57	4.80	5.03	**22.69**
Admin Expenses – Collection Charges on UDF	Table 112	0.59	0.72	0.77	0.87	1.00	**3.95**
Insurance	Table 113	1.21	1.56	2.14	4.14	4.26	**13.30**
Repairs and Maintenance	Table 114	11.00	14.17	26.08	53.38	57.98	**162.61**
Other Operating expenses#	Table 115	10.64	11.75	12.33	35.56	37.33	**107.61**
Runway recarpeting	-	-	-	-	-	-	-
Total O&M Expenses (other than Fuel and Cargo) (A)		**108.07**	**132.79**	**162.76**	**253.92**	**282.36**	**939.91**
Fuel Operating Expenses							
Fuel O&M expenses	Table 117	-	5.51	9.12	10.33	11.72	**36.68**
Refuelers Rentals		-	0.80	0.40	-	-	**1.20**
One-time expense (asset write off)		-	-	5.79	-	-	**5.79**
Total Fuel Operating Expenses (B)		**-**	**6.31**	**15.31**	**10.33**	**11.72**	**43.67**
Cargo Operating Expenses							
Insourced salary	Table 118	0.79	0.93	1.06	1.23	1.44	**5.45**
O&M Expenses		2.09	5.36	5.77	6.65	7.68	**27.55**
Customs Cost Recovery		0.89	0.98	1.03	1.08	1.14	**5.12**
Total Cargo Operating Expenses I		**3.77**	**7.27**	**7.86**	**8.97**	**10.26**	**38.12**
Total O&M expenses (A+B+C)		**111.84**	**146.37**	**185.93**	**273.23**	**304.33**	**1,021.70**

** FY 2021-22 is based on actuals submitted by the AO.*

 # Other Operating expenses include Upkeep and maintenance of Terminal complex, Horticulture expenses, outsourced contractor cost for providing facility management, trolley management, flight data management, daily emergency handling services etc.

10.2.28. As can be seen above, the total O&M expenses proposed by the Authority for Third Control Period is ₹ 1,021.70 Crores (refer Table 119) compared to ₹ 1,555.55 Crores submitted by the AO. The difference is majorly due to the following changes, adjustments, revisions and rationalization carried out by the Authority:

i. Allocation of the expenses into aeronautical and non-aeronautical.

ii. Consideration of actual expenses for FY 2021-22

iii. Rationalization of Employee Headcount

iv. Revision in growth rates of various expenses

v. Exclusion of Counter Drone System amounting to ₹ 70.60 Crores (refer para 10.2.16).

vi. Capitalization of Runway recarpeting expenses (refer para 10.2.22).

10.2.29. Based on above considerations, the Authority proposes the following growth rates in Operation and Maintenance (O&M) expenses for Aeronautical Operating expenses, Fuel Operating expenses and Cargo Operating expenses, as compared to the projections submitted by the Airport Operator.

Table 120: 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**
Aeronautical Operating expense (A)					
Manpower Expenses – AAI employees		6%	6%	6%	6%
Manpower Expenses – Airport Operator's employees		6%	6%	6%	6%
Utility expenses		10.4%	5%	188.30%	5%
IT expenses		10.4%	5%	25%	5%
Rates and Taxes		10.4%	5%	279.94%	5%
Security expenses		10.4%	5%	55%	5%
Corporate Allocation Cost		6%	6%	6%	6%
Administrative Expenses – Others		10.4%	5%	5%	5%
Insurance – on Opening Net block of Assets		10.4%	5%	5%	5%
Other Operating expenses		10.4%	5%	188.30%	5%
Fuel operating expense (B)					
Fuel O&M expenses		-	5%	5%	5%
Cargo operating expense I					
Cargo Operating Expenses – Insourced Salary cost		6%	6%	6%	6%
Cargo Operating Expenses – Other expenses		10.4%	5%	5%	5%

** Actual expense have been considered for the FY 2021-22*

10.2.30. The Authority expects AO to bring in efficiencies in the incurrence of O&M expenses for the benefit of airport users and in line with AERA Act, AERA Guidelines and ICAO Principles.

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

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

10.3.1. To consider O&M Expenses for the Third Control Period as per Table 119.

10.3.2. To consider the O&M expenses incurred by the Airport Operator during the Third Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

11. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

11.1. AO's submission of Non-aeronautical revenue for the Third Control Period

11.1.1. The Airport Operator in its submission dated July 31, 2021 to AERA had stated that it follows a Master Concessionaire model for managing commercial activities at the Airport.

11.1.2. The Airport Operator had submitted that it outsourced all Non-aeronautical businesses (mentioned below) to the Master Concessionaire, Adani Airport Holdings Limited, vide Master Services Agreement executed on May 18, 2021. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the Non-aeronautical businesses at CCSIA, in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports:

- Duty free stores
- Food and beverages outlets
- Retail outlets
- Lounges
- Advertising, Sponsorship and promotion opportunities
- Car parks and ground transportation facilities
- Airport hotels and transit hotels
- Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other as may be approved by the Airport Operator
- Business Center
- City side development
- Flight catering services
- Foreign exchange services
- Freight consolidators/forwarders or agents
- Left luggage, lost and found, excess baggage
- Porter service, Special assistance services (such as paid wheelchair services)
- Meet and assist services
- Provision of land and space for various stakeholders at Airport
- Various passenger amenities, including but not limited to, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
- Airport village comprising of various retail, food and beverage, entertainment and amenities options; and
- Any other services as may be mutually agreed by the parties or permitted pursuant to the Applicable Laws.

11.1.3. As per the terms of the Master Services Agreement, the Service provider (Adani Airport Holdings Limited) shall pay to the Airport Operator an amount which is higher of the following:

a) Minimum Guarantee amount of ₹ 22 Crores per annum or

b) The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.

Further, it is stated in the Agreement that the Minimum Guarantee amount of ₹ 22 Crores per annum shall remain unchanged for the first five years from the date of signing the Master Services Agreement. Thereafter, this Minimum Guarantee amount shall be increased at the rate of 50% of the Delta CPI every year.

11.1.4. Based on the above, the Non-aeronautical revenue submitted by the Airport Operator for CCSIA is given in the table below:

Table 121: Non-aeronautical revenue submitted by Airport Operator for CCSIA for the Third Control Period.

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1. Revenue from Master Service Agreement	18.33*	22.00	22.00	22.00	22.00	**106.33**
2. Other income (not covered under Master Service Agreement)#						
v. Retail	0.30					**0.30**
vi. F&B	0.49					**0.49**
vii. Lounges	0.04					**0.04**
viii. Ground transportation	0.51					**0.51**
ix. Space Rental: Govt. Agencies	0.93	1.56	1.56	1.56	1.56	**7.17**
Total	**20.60**	**23.56**	**23.56**	**23.56**	**23.56**	**114.84**

* *Master Services Agreement, which was signed on May 18, 2021 is effective only from June 1, 2021. Hence the revenue for 10 months beginning June 1, 2021 has been projected for the FY 2021-22.*

Revenue from Retail, F&B, Lounges, Ground transportation, etc. (covered under point 2a to 2d) totaling to ₹1.34 Crores have been shown separately for FY 2021-22, as these incomes were earned prior to initiation of Master Services Agreement.

11.2. Authority's examination regarding Non-aeronautical revenue for the Third Control Period

11.2.1. The Authority has examined the Non-aeronautical revenue submitted by the AO for the Third Control Period and reviewed the Master Services Agreement entered into by the Airport Operator with the– Master Concessionaire – Adani Airport Holdings Limited with respect to scope of services outsourced to the Master Concessionaire and the revenue sharing arrangement.

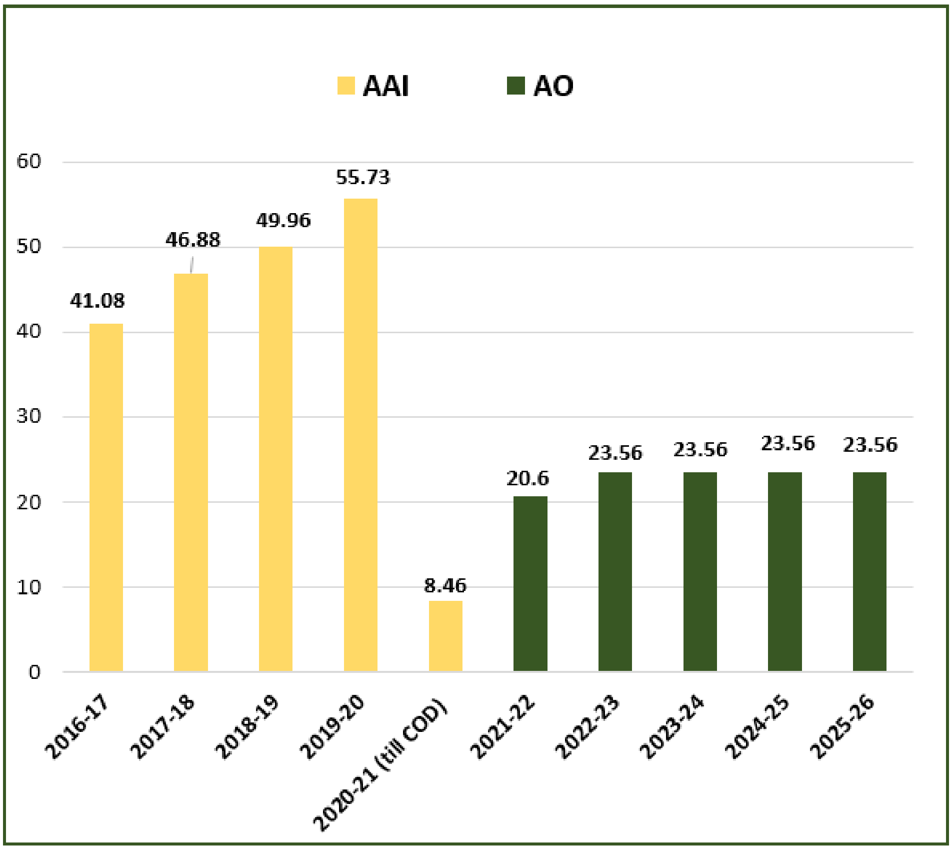
11.2.2. The Authority notes that the AO undertook two-stage tendering process through e-tender mode vide Request for Proposal (RFP) dated March 1, 2021. Pursuant to the above RFP, three prospective bidders (domestic and global) had submitted their proposals to the AO. Based on technical qualification, financial parameters and evaluation criteria provided under the RFP, Adani Airport Holdings Limited was selected as the Service Provider, with whom the AO had entered into a Master Services Agreement. The criteria for selection of the Master Concessionaire seems restrictive. The Authority notes that the revenues projected by the Airport Operator are based on the said Agreement.

11.2.3. The Authority notes that the total Non-aeronautical revenue projected by the Airport Operator for the Third Control Period is only ₹ 114.84 Crores (refer Table 121) which is substantially lower than the actual Non-aeronautical revenue earned by AAI for the Pre-COD period (FY 2016-17 till COD) which was for ₹ 202.11 Crores. The Authority notes that the period in which AAI was operating the Airport included the pandemic impact where the traffic came to a standstill. The following table and chart shows the year wise NAR earned by AAI during the period FY 2016-17 till FY 2020-21 (up to COD) and the projections of the AO for the Third Control Period:

Table 122: Year wise NAR earned by AAI and projected by the AO

(₹ Crores)

Particulars (FY)	AAI	AO
2016-17	41.08	
2017-18	46.88	
2018-19	49.96	
2019-20	55.73	
2020-21 (till COD)	8.46	
2021-22		20.6
2022-23		23.56
2023-24		23.56
2024-25		23.56
2025-26		23.56
Total	**202.11**	**114.84**



11.2.4. The Authority takes cognizance of the fact that Non-aeronautical revenues have been projected for the Third Control Period by the Airport Operator, after taking in to consideration the pandemic and economic conditions on traffic which will reduce the consumer spending at airports. However, the Authority is not convinced about the revenue projection in the Master Services Agreement which is remaining constant for the entire Control Period, while all the other costs are increasing substantially across the Third Control Period. It is pertinent to note here that, with the development of new Terminal Building T3, space will be increasing considerably adding more area for Non-aeronautical services, which has not been factored into the revenue projection as per the Master Services Agreement. Hence, the Authority feels that the gradual increase in Non-aeronautical operations (by increasing the Non-aeronautical area within the Terminal Building from the existing 7.5% to 10% and above), will lead to increase in the Non-aeronautical revenues. Further, it is the responsibility of the AO to ensure that in the Third Control Period they should achieve NAR higher than what was achieved in the Second Control Period by AAI. In this context, there was no obligation on the AO to accept the bid of Master Concessionaire offering such low revenue share.

11.2.5. Further, considering the positive outlook provided by the Expert Agencies, the outlook of the GDP growth predicted by the GoI and the encouraging trend in the traffic numbers reported in the first three quarters of FY 2022-23 (April 22 to December 22), the Authority is of the view that both domestic and international Passenger traffic will revert to pre-COVID levels by FY 2022-23 and FY 2023-24 respectively. Further, the traffic is expected to progressively increase during the Third Control Period (as also discussed in Chapter 6).

11.2.6. With the steady increase in passenger traffic and construction of new Terminal Building (T3), the Authority foresees an increase in passenger related Non-aeronautical revenue across the Third Control Period. Further, the Authority expects that the Airport Operator may bring in efficiencies in Non-aeronautical operations as being followed by other PPP airports wherein the proportion of Non-aeronautical revenue projected by the AO is equal or comparable to the quantum of O&M expenses. Whereas, in CCSIA the situation is peculiar wherein the projection of NAR is substantially lesser than O&M expenses. Further, this will impact the interest of the airport users as 30% of the Non-aeronautical revenue is used for cross subsidization. The Authority feels that with the progressive increase in the passenger traffic, the AO should make efforts to generate Non-aeronautical revenue higher than that earned by AAI during the pre-COD period.

11.2.7. The Authority notes that the Airport Operator has projected the Revenue on Space rental from Govt. agencies for FY 2021-22 in their MYTP submission at the rate of approximately ₹ 8 lacs per month totaling to ₹ 0.93 Crores and for the next 4 tariff years, at the rate of approximately ₹ 13 lacs per month totaling to ₹ 1.56 Crores per year. The Airport Operator has projected one-time increase of 68% in FY 2022-23 and no further increase during the Third Control Period. Further, the Authority notes that the AO has subsequently, submitted the actual NAR towards Space rental from Govt. agencies for FY 2021-22 as ₹ 1.56 Crores, which the Authority proposes to consider for determining the NAR for the Third Control Period. Further, the Authority proposes to consider an increase of 5% Y-O-Y starting from FY 2022-23 till the last tariff year, i.e., FY 2025-26.

11.2.8. Based on the above considerations, the Authority has estimated the total Non-aeronautical revenues for the Third Control Period for CCSIA as follows:

i. The NAR earned by AAI in FY 2019-20, which is a pre-COVID year, is considered as the base for estimating the NAR for CCSIA for the Third Control Period.

ii. The Authority has considered the actual revenue earned by the AO for FY 2021-22, as this FY has already passed.

iii. Further, the Authority notes that the actual NAR for FY 2021-22 includes Space rental from Govt. agencies amounting to ₹ 1.56 Crores which the Authority proposes to increase at the rate of 5% Y-O-Y starting from FY 2022-23 till the last tariff year, i.e., FY 2025-26.

iv. The NAR of FY 2019-20 i.e., ₹ 55.73 Crores has been assumed for FY 2022-23, as the traffic is expected to reach the pre-COVID level of FY 2019-20 by FY 2022-23 (as explained in Chapter 6).

v. The Authority proposes to increase NAR by 5% Y-o-Y for the remaining tariff years for the Third Control Period. However, the Authority takes cognizance of the fact that with the development of the new Terminal Building T3 in FY 2023-24, the Non-aeronautical area may also increase. Hence, the Authority proposes an additional increase of 5% to the NAR of the FY 2024-25 (the year that immediately succeeds the year of operationalization of the newly constructed Terminal Building T3).

The NAR derived by the Authority based on the above factors has been presented as follows:

Table 123:Total Non-aeronautical revenues estimated by the Authority for Third Control Period

(₹ Crores)

Particulars	NAR of AAI for FY 2019-20	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total NAR	55.73*	21.36	55.73	58.52	64.37	67.59	**267.57**
% increase in NAR				5%	10%	5%	

* *Refer Table 25 of this Consultation Paper*

11.2.9. Based on the total NAR derived as per Table 123, the Authority has bifurcated it component wise as under:

i. **Revenue from Master Service Agreement:** This has been derived as the difference between total NAR derived as per Table 123 and the Revenue from Space rental of Govt. Agencies.

ii. **Other income (Revenue from Space rental of Govt. Agencies)**: The Authority has considered this revenue as projected by the AO with an increase of 5% Y-O-Y for the last 4 tariff years.

Table 124: Non-aeronautical revenues (component wise) 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. Revenue from Master Service Agreement	18.33	54.09	56.80	62.56	65.69	**257.48**
2. Other income (not covered under Master Services Agreement)						
a. Retail	1.04					**1.04**
b. F&B	0.42					**0.42**
c. Lounges	-					**-**
d. Ground transportation	-					**-**
x. Space Rental: Govt. Agencies	1.56	1.64	1.72	1.81	1.90	**8.63**
Total (a : e)	**3.02**	**1.64**	**1.72**	**1.81**	**1.90**	**10.09**
3. Grand Total (1+2)	**21.36**	**55.73**	**58.52**	**64.37**	**67.59**	**267.57**

11.2.10. The Authority is of the view that the NAR projected by the AO for the Third Control Period is significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the NAR projected by such PPP airports either equalize or higher or constitute at least 50% of the total O&M expenses projected by them for the respective Control Period. Whereas in the case of CCSIA, the Authority notes that the NAR projected by the AO for the Third Control Period is ₹ 114.84 Crores which is significantly lower as compared to the O&M expenses submitted by the AO which is ₹ 1,555.55 Crores (refer Chapter 10).

The Authority is of the view that the AO should take efforts to substantially increase NAR for the Third Control Period in line with the other PPP airports. Otherwise, AERA may propose a notional increase in the NAR for the Third Control Period, while determining tariff for the Fourth Control Period, in the interest of the Airport Users.

11.3. Authority's proposal regarding Non-aeronautical revenue for the Third Control Period

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

11.3.1. To consider Non-aeronautical revenues for the Third Control Period for CCSIA as per Table 124.

11.3.2. The AO should take efforts to substantially increase the NAR of CCSIA for the Third Control Period, in line with similar / AAI airports.

12. TAXATION FOR THE THIRD CONTROL PERIOD

12.1. AO's submission of Taxation for the Third Control Period

12.1.1. The AO has submitted that the computation of income tax on aeronautical income, has been made on the prevailing Income Tax laws and rules.

12.1.2. AO has calculated the revenue generated from Regulated services, Non-aeronautical revenue Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per the Income Tax Act. 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 the AO for CCSIA, Lucknow are shown in the table below:

Table 125: Taxation submitted by AO for CCSIA, Lucknow for the Third Control Period
(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue with Revised Rates	91.12	609.62	826.48	1,042.50	1,295.12	**3,864.84**
Add: 30% of Non-aeronautical revenue	6.18	7.07	7.07	7.07	7.07	**34.45**
Less: O&M expenses	125.78	200.21	340.33	408.72	480.51	**1,555.55**
Less: Interest costs	16.40	66.98	170.87	290.71	324.50	869.46
Less: Interest costs on Working Capital	0.18	3.87	8.15	10.39	13.06	35.65
Less: Financing charges	11.74	17.18	8.81	2.71	2.12	42.56
Less: Tax Depreciation	52.07	122.95	343.24	376.67	354.03	**1,248.95**
Profit Before Tax	**(108.87)**	**205.50**	**(37.85)**	**(39.63)**	**127.97**	**147.12**
Set-off of prior period tax losses	-	(58.51)	-	-	-	
Less: Carry forward of unabsorbed depreciation	(20.25)	(72.32)	-	(37.84)	(77.46)	
PBT after set-off of prior period losses	-	**74.67**	**-**	**-**	**50.51**	
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	18.79	-	-	12.71	**31.50**

12.2. Authority's examination of Taxation for the Third Control Period

12.2.1. The Authority notes that AO has considered 30% Non-aeronautical revenues in the estimation of Aeronautical PBT, which was then used in the computation of Aeronautical taxes. The fact that a part of Non-aeronautical revenues is used for cross subsidization as per the Hybrid Till mechanism, doesn't change the nature of such revenues to Aeronautical. Further, the cross subsidization as per the Hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize the AO to make effective investments in Non-aeronautical generating sources.

12.2.2. Therefore, the Authority is of the view that:

- Non-Aeronautical revenues (30%) should not be treated as a subsidy for the airport operator as the airport operator has already earned it from Non-Aeronautical services and is meant as a cross subsidy to the airport user.
- The consideration of 30% Non-Aeronautical revenues as part of revenues from Aeronautical services would result in undeserved enrichment to the airport operator effectively reducing the cross-subsidy benefit to the airport user from the present 30% Non-Aeronautical income.

12.2.3. The Authority thus proposes to consider only Aeronautical revenues and expenses in the calculation of Aeronautical PBT.

12.2.4. Further, the Authority has considered the Financing charges and Fees payable to Independent Engineer for the purpose of determining ARR for the Third Control Period (Refer Table 129), for computing Aeronautical taxes.

12.2.5. The Authority has recomputed taxes of CCSIA, Lucknow based on the changes proposed to the other building blocks and based on the proposal discussed above on exclusion of Non-aeronautical revenue.

12.2.6. Further, as the Authority has considered the prior period losses in the computation of true up of AAI for the pre-COD period, the same has been excluded in the computation of taxes of the AO for the Third Control Period for CCSIA, Lucknow.

12.2.7. The following table summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

Table 126: Taxation proposed to be considered as per the Authority for the Third Control Period

(₹ Crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue (refer Table 129)*	A	352.83	208.96	318.77	580.08	809.30	**2,269.93**
Less: O&M expenses (refer Table 119)	B	111.84	146.37	185.93	273.23	304.33	**1,021.70**
Less: Interest on Working Capital	C	2.06	4.12	4.72	6.86	9.92	**27.67**
Less: Financing charges (refer para 14.2.2)	D	5.24	4.18	13.08	1.47	0.76	**24.74**
Less: Fees payable to Independent Engineer	E	3.47	3.47	3.47	3.47	3.47	**17.35**
Less: Depreciation as per Income Tax Act	F	29.61	51.90	102.99	285.99	261.61	**732.10**
Profit Before Tax	G = A-(Sum B:F)	200.61	(1.08)	8.58	9.06	229.21	**446.38**
Tax rate (%)	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	G*H	50.49	0.00	2.16	2.28	57.69	**112.62**

**Aeronautical revenue has been considered from net ARR (refer Table 129).*

12.3. Authority's proposal regarding Taxation for the Third Control Period

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

12.3.1. To consider the Taxation for the Third Control Period for CCSIA, Lucknow as per Table 126.

12.3.2. To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

13. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

13.1. AO's submission regarding Quality of Service

13.1.1. AO has submitted that it will abide by the ASQ performance indicators mentioned in Annexure I to Schedule H in the Concession Agreement.

Clause 23.7.1 of the CA states:

"The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within 5 years from the COD and maintain the same throughout the rest of the Concession Period."

Clause 23.7.2 of the CA states:

"*The Concessionaire shall, within 21 days of the end of each calendar quarter, provide to the Authority a written report on the results of the user survey of ASQ for the immediately preceding quarter, together with its analysis of the results and the action, if any, that it proposes to take for improvement in User satisfaction."*

13.1.2. AO has further submitted that adherence and maintenance of these standards will require creation of significant infrastructure, ramp-up of human resource and increase in operations and maintenance costs and that the AO has considered the cost implications, while preparing future projections as part of its MYTP submission.

13.2. Authority's examination regarding Quality of Service for the Third Control Period

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 CCSIA for the FYs 2017 to 2020 have been in the range 4.78 to 4.93 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.71.

Table 127: ASQ rating for CCSIA for the years 2017-2022

Financial Year	**ASQ rating**
2017	4.78
2018	4.86
2019	4.86
2020	4.93
2021 – Q1 & Q2	ASQ was not conducted due to lockdown on account of COVID-19 pandemic

Financial Year	ASQ rating
2021- Q3	4.93
2021- Q4	4.93
2022 -Q1	4.95
2022- Q2	4.95
2022-Q3	4.96

13.2.3. The Authority notes that the ASQ rating awarded to CCSIA is higher than the average rating of the AAI airports for the FYs 2017 to 2020.

13.2.4. The Authority also notes that as per the Concession Agreement, the AO is required to maintain an ASQ rating of at least 4.5 out of 5. However, the Authority notes that the AO has achieved ASQ rating of 4.95 to 4.96 during the first 3 quarters of the FY 2021-22, which is higher than the requirement given in the Concession Agreement. Further, the Authority notes that the rating for Q3 and Q4 of 2021 was higher than the target rating of 4.5 mandated by the Concession Agreement.

13.2.5. Based on the above factors, the Authority does not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by CCSIA.

13.3. Authority's proposal regarding Quality of Service for the Third Control Period

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 regard to Quality of Service of CCSIA.

13.3.2. The Airport Operator should ensure that service quality at CCSIA conforms to the performance standards as indicated in the Concession Agreement throughout the Third Control Period.

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

14.1 AO's submission of ARR for the Third Control Period

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

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

Table 128: ARR submitted by AO for CCSIA, Lucknow for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB	294.95	688.90	2,037.48	3,332.30	3,534.78	
Fair Rate of Return	14.86%	14.86%	14.86%	14.86%	14.86%	
Return on average RAB	43.52	101.65	300.65	491.71	521.59	**1,459.13**
O&M expenses (including interest on working capital, financing charges etc).	125.78	200.21	340.33	408.72	480.51	**1,555.55**
Working capital loan - interest	0.05	3.58	7.95	10.12	12.91	**34.60**
Negative Cash loan - interest	8.50	8.50	-	-	-	**16.99**
Financing charges	11.93	17.13	8.91	2.71	2.14	**42.82**
Depreciation	34.65	66.25	149.92	221.12	246.35	**718.29**
Tax expense	-	18.79	-	-	12.71	**31.50**
Less: 30% NAR	(6.18)	(7.07)	(7.07)	(7.07)	(7.07)	**(34.45)**
Add: True up for the period from COD till March 31, 2021	26.10	-	-	-	-	**26.10**
ARR per year (₹ Crores)	**244.35**	**409.04**	**800.68**	**1,127.32**	**1,269.14**	3,850.54
Discount factor (@ 14.86%)	1.00	0.87	0.76	0.66	0.58	
PV of ARR	244.35	356.45	608.01	745.97	731.82	**2,686.60**
Sum Present value of ARR (₹ Crores)	**2,686.60**					**2,686.60**
Total Traffic (million passengers)	3.43	4.94	6.25	7.55	8.98	
Yield per passenger (YPP) (₹)	265.66	1,075.37	1,004.32	913.35	831.36	

14.2 Authority's examination 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 AO in computation of ARR and Yield in the table above, the Authority proposes to consider the regulatory building blocks as discussed in the above chapters.

14.2.2. The Authority has determined Financing charges (₹ 24.74 Crores) based on the Aeronautical CAPEX allowed by the Authority and has considered the same in the computation of ARR.

14.2.3. The Authority notes that the AO has estimated working capital requirements and interest thereon, based on projected Aeronautical revenues. The Authority has determined the interest on working capital, based on the projected Aeronautical revenue determined by it for estimating Aeronautical

Taxes (as shown in Table 126)

14.2.4. The Authority has also included the fees payable to the Independent Engineer in the determination of ARR (shown in the table below), in accordance with clause 24.1.7 of the Concession Agreement. The Authority has considered the fee payable to the Independent Engineer for the Third Control Period.

14.2.5. The Authority notes that the AO has claimed interest on Negative Cash Loan, based on cash flows from Operating, Investing and Financing activities. The Authority is of the opinion that since Interest on Working Capital (operating activity), Interest During Construction (Investing activity) and Financing charges for processing debts (financing activity) are claimed separately by the AO, the aforementioned interest on negative cash loan seems to be repetitive of the above costs and hence the Authority proposes not to consider interest on negative cash loan (₹ 16.99 crores) claimed by the AO.

14.2.6. The Authority notes that the AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. Whereas, the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic. Further, a significant increase in Aeronautical tariff, is also attributable on account of the fact that the new Aeronautical tariff proposed by the Authority may be implemented only by the first quarter of next Financial Year, thereby resulting in only lesser tariff years being available for recovery of the ARR

In this regard, the Authority would like to draw reference to the guiding principles issued by the International Civil Aviation Organization (“ICAO”) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies that *caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users*. The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/ masses. As per para 12 (c) of the NCAP, “In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future.” The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated January 12, 2017.

Further, it is pertinent to note that considerable investments in capacity have already been made which would be sufficient for the foreseeable future. Therefore, the subsequent control periods are expected to witness lower capital expenditure requirements while catering to a larger traffic base.

Based on the above considerations, the Authority has proposed to carry forward some portion of the ARR to the next Control Period in the harmonious interest of all the stakeholders chain including the Airport Operator.

Air Freight Station (AFS)

14.2.7. The Authority notes the Policy Guidelines on 'Air Freight Station' (AFS) issued by MoCA in October 2014. This Policy shall create an off Airport Common User facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load devices (ULD) and Cargo in bulk/ loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the Country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorising some of the Inland Container Depots (ICD) to cater to the International Air Cargo operations, the existing facilities in these ICDs, could be fully utilized.

The Authority notes that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters.

The Authority directs the AO to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card.

The Authority also seeks the comments from the stakeholders on application of tariff on AFS Cargo, as the Authority feels that the tariff on AFS Cargo should be significantly lesser than the tariff levied on the General Cargo.

14.2.8. After considering the above, the Authority proposes the following ARR and YPP:

Table 129: ARR proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	Table/ Para Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB = A	84	209.7	335.42	667.93	1,823.24	2,711.95	
Fair Rate of Return = B	89	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on average RAB C= A*B		25.60	40.95	81.55	222.62	331.13	**701.86**
O&M expenses – D	119	111.84	146.37	185.93	273.23	304.33	**1,021.70**
Depreciation – E	81	19.55	26.59	45.41	89.46	122.27	**303.28**
Financing Charges – F	Para 14.2.2	5.24	4.18	13.08	1.47	0.76	**24.74**
Independent Engineer's fees - G		3.47	3.47	3.47	3.47	3.47	**17.35**
Interest on Working Capital - H		2.06	4.12	4.72	6.86	9.92	**27.67**
Taxation – I	126	50.49	0.00	2.16	2.28	57.69	**112.62**
ARR per year = SUM (C:I)		**218.26**	**225.68**	**336.33**	**599.39**	**829.57**	**2,209.22**
PV of Under-recovery of AAI as on March 31, 2022 – J	31	120.60					
PV of Under-recovery of AO as on March 31, 2022 – K	48	20.38					
ARR – L		**359.24**	**225.68**	**336.33**	**599.39**	**829.57**	**2,350.20**
NAR	124	21.36	55.73	58.52	64.37	67.59	**267.57**

Particulars	Table/ Para Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Less: 30% NAR – M		6.41	16.72	17.56	19.31	20.28	**80.27**
Net ARR = (L-M)		352.83	208.96	318.77	580.08	809.30	**2,269.93**
Discount factor (@ 12.21%)		1	0.8912	0.7942	0.7078	0.6308	
PV of ARR as on March 31, 2022 (₹ Crores)		352.83	186.22	253.17	410.58	510.50	**1,713.31**
Sum Present value of ARR (₹ Crores)		1,713.31					**1,713.31**
Total Traffic (million passengers)	57	31.41					**31.41**
Yield per passenger on Total Traffic (YPP) (₹)		545.46					**545.46**
Departing Passengers		15.71					**15.71**
Yield per Departing Passenger (₹)		1,090.93					**1,090.93**

14.2.9. The Authority notes that, it is necessary to have the individual year wise tariff card laying down the different aeronautical charges and the workings for the aeronautical revenues, in order to have a constructive stakeholder discussion and hence AO is directed to submit the detailed Annual Tariff proposals in line with the ARR and Yield arrived at by the Authority within 7 days of issue of the Consultation Paper.

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. To consider the ARR and YPP for the Third Control Period for CCSIA, Lucknow in accordance with Table 129.

14.3.2. To direct AO to submit the Annual Tariff Proposal (Tariff Rate Card) within 7 days from issue of this Consultation Paper which will be reviewed and put up for stakeholder consultations.

15. SUMMARY OF AUTHORITY'S PROPOSALS

Chapter 4: True up of AAI for the period from FY 2016-17 to COD

4.15.1 To consider Deemed Initial RAB as on November 1, 2020, as ₹ 187.88 crores as per Table 14.

4.15.2 To consider true up of RAB for the pre-COD period as per Table 15.

4.15.3 To consider true up of depreciation for the pre-COD period as per Table 16.

4.15.4 To consider true up of FRoR for the pre-COD period as per para 4.7.3

4.15.5 To consider true up of Aeronautical O&M expenses for the pre-COD period as per Table 24.

4.15.6 To consider true up of Non-aeronautical revenue for the pre-COD period as per Table 25

4.15.7 To consider true up of Aeronautical revenue for the pre-COD period as per Table 27.

4.15.8 To consider true up of Aeronautical Taxation for the pre-COD period as per Table 30.

4.15.9 To consider Under recovery of ₹ 120.60 crores for True up of AAI for the Pre-COD period as per Table 31 and readjust the same in the ARR for the Third Control Period.

4.15.10 To consider Adjusted Deemed Initial RAB as per Table 33 or based on formula provided in paragraph 4.14.5 as appropriate for actual date of payment.

Chapter 5: True up of Airport Operator for the period from COD till March 31, 2021

5.12.1 To consider true up of RAB and depreciation for the period from COD till March 31, 2021 as per Table 37.

5.12.2 To consider true up of FRoR for the period from COD till March 31, 2021 as per Table 38.

5.12.3 To consider true up of Aeronautical O&M expenses for the period from COD till March 31, 2021 as per Table 45.

5.12.4 To consider true up of Non-aeronautical revenue for the period from COD till March 31, 2021 as per Table 46.

5.12.5 To consider true up of Aeronautical revenue for the period from COD till March 31, 2021 as per Table 47.

5.12.6 To consider under recovery of ₹ 20.38 crores for True up of the Airport Operator as per Table 48 for the period from COD till March 31, 2021 and readjust the same in the ARR for the Third Control Period.

Chapter 6: Traffic for the Third Control Period

6.3.1 To consider the Passenger traffic, ATM and Cargo traffic for the Third Control Period for CCSIA as per Table 57.

6.3.2 To true up the traffic volume (Passengers, ATM and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

Chapter 7: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Third Control Period

7.6.1 To consider the Terminal Building ratio of 90:10 in line with the Study on allocation of assets between Aeronautical and Non-aeronautical assets for CCSIA, Lucknow, IMG norms and as approved for other similar Airports.

7.6.2 To allow IDC during the Third Control Period and not to allow Financing Allowance as mentioned in Para 7.3.13.

7.6.3 To adopt the capitalisation of Aeronautical Expenditure for the Third Control Period in accordance with Table 76.

7.6.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalised as per the approved capitalisation schedule, as mentioned in para 7.3.12. 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.

7.6.5 To consider GST on RAB/ CWIP and Stamp Duty/ Registration charges on actual incurrence basis, as detailed in para 7.3.14 and 7.3.15 respectively.

7.6.6 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Fourth Control Period (as explained in para 7.3.16).

7.6.7 To true up the Aeronautical Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.

7.6.8 To adopt Aeronautical Depreciation as per Table 81 for the Third Control Period.

7.6.9 To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalisation during the tariff determination of the Fourth Control Period.

7.6.10 To consider average RAB for the Third Control Period for CCSIA, Lucknow as per Table 84

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

Chapter 8: Fair Rate of Return (FRoR) for the Third Control Period

8.3.1 To consider the Cost of equity at 15.18% as per CAPM formula

8.3.2 To consider the notional debt to equity (gearing) ratio of 48%:52% in line with target gearing ratio being considered in case of other PPP airports.

8.3.3 To consider cost of debt of 9% for the Third Control Period,

8.3.4 To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

Chapter 9: Inflation for the Third Control Period

9.3.1 To consider WPI inflation as per Table 91.

Chapter 10: Operation and Maintenance Expenses for the Third Control Period

10.3.1 To consider O&M Expenses for the Third Control Period as per Table 119.

10.3.2 To consider the O&M expenses incurred by the Airport Operator during the Third Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

Chapter 11: Non-aeronautical revenue for the Third Control Period

11.3.1 To consider Non-aeronautical revenues for the Third Control Period for CCSIA as per Table 124.

11.3.2 The AO should take efforts to substantially increase the NAR of CCSIA for the Third Control

Period, in line with similar / AAI airports.

Chapter 12: Taxation for the Third Control Period

12.3.1 To consider the Taxation for the Third Control Period for CCSIA, Lucknow as per Table 126.

12.3.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

Chapter 13: 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 regard to Quality of Service of CCSIA.

13.3.2 The Airport Operator should ensure that service quality at CCSIA conforms to the performance standards as indicated in the Concession Agreement throughout the Third Control Period.

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

14.3.1 To consider the ARR and YPP for the Third Control Period for CCSIA, Lucknow in accordance with Table 129.

14.3.2 To direct AO to submit the Annual Tariff Proposal (Tariff Rate Card) within 7 days from issue of this Consultation Paper which will be reviewed and put up for stakeholder consultations.

16. STAKEHOLDERS' CONSULTATION TIMELINE

16.1. In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 15 – Summary of the Authority's proposals read with the relevant discussion in the other chapters of the Paper is hereby put forth for Stakeholders' Consultation.

16.2. 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.

16.3. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposals made in this Consultation Paper, latest by March 24, 2023.

Secretary,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport New Delhi -110003
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(Chairperson)

17. ANNEXURES

17.1 Annexure 1 – Summary of study on allocation of assets between Aeronautical and Non-aeronautical assets

Background

17.1.1 RAB is one of the fundamental elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an airport operator. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment provided solely on the assets related to the core operations (i.e., Aeronautical services) of the airport. Assets not directly related to provision of Aeronautical services, if considered as Aeronautical assets, would result in increased charges for the passengers, stakeholders and other users. Therefore, the diligent allocation of assets into Aeronautical and Non-aeronautical assets becomes an important part of the tariff determination process.

17.1.2 RAB evolves on a continuous basis, primarily due to the addition of capital assets required to meet the growing demand and ensure optimal level of service, replacement of obsolete assets at end of their useful life, sales or transfers of assets and depreciation. The allocation of an asset towards RAB depends upon the type of asset (building & civil works, plant & machinery, equipment, etc.), usage (provision of various services such as Aeronautical, Non-aeronautical, or Common), ownership (by airport operator, concessionaire or other entities) and useful life of the asset. Based on these factors, the rationale for allocation of each asset into the appropriate classification needs to be determined diligently.

17.1.3 Towards this objective, AERA has decided to conduct an independent study on allocation of assets and segregation between Aeronautical and Non-aeronautical components in respect of assets appearing in the Fixed Asset Register (FAR) of CCSIA, Lucknow Limited as on March 31, 2021, based on the audited financial statements for the year ended March 31, 2021 and the True up workings as submitted by AAI to the AERA up to November 1, 2020.

Classification of Assets

17.1.4 The study based on the analysis, classified the aggregate assets of CCSIA, LUCKNOW under the followingcategories:

a. **Aeronautical assets:** All assets that are exclusively used for the provision of Aeronautical services/ activities have been classified as ‘Aeronautical assets’. Such assets would include runway(s), taxiways, drainage, culverts, aprons, etc.

b. **Non-aeronautical assets:** All assets that are exclusively used for the provision of Non-aeronautical services/ activities have been classified as ‘Non-aeronautical assets’. Such assets would include land side development, commercial projects, etc.

c. **Common assets:** All assets that cannot be directly allocated to either Aeronautical assets or Non-aeronautical assets have been classified as ‘Common assets’. Such assets as the name suggests, get utilised for both Aeronautical and Non-aeronautical activities. They would include terminal building, select terminal equipment, etc.

Principles for segregation of assets

17.1.5 The study reviewed the various asset categories and developed a basis for classification of assets into aeronautical and non – aeronautical activities. The study also determined the appropriate proportion of the Common Assets that may be included as part of Aeronautical activity so in order to determine the Aeronautical asset base. The principles of segregation used by the study are as follows:

Aeronautical Assets

- Assets required for the performance of the Aeronautical services at the airport.
- Classification of aeronautical assets are taken as defined in the AERA Act.
- Assets necessary to maintain the service quality of the airport are proposed to be considered as aeronautical except those located in the Non-aeronautical area.

Non-aeronautical Assets

- Assets required for the performance of the Non-aeronautical activities at the airport. Examples include car parking, advertisement, retail etc.

Common Assets

- Common assets are assets which are not directly attributable to either Aeronautical or Non-aeronautical services. These assets include the terminal building, air conditioning, furniture, administrative office of airport company, etc.
- Common assets are bifurcated between Aeronautical and Non-aeronautical assets based upon Terminal Building ratio or Employee Head Count ratio or Staff Quarters ratio. The ratio of Aeronautical to Non-aeronautical as considered by the Study for the period from FY 2016-17 to FY 2020-21 are as follows:

Table 130: The ratio of Aeronautical to Non-aeronautical as considered by the Study for the period from FY 2016-17 to FY 2020-21

Particulars	**Ratio (Aeronautical: Non-aeronautical)**
Terminal Building ratio	92.50: 7.50
Employee Head Count ratio (up to October 30, 2020)	96.28: 3.72
Employee Head Count ratio (from October 31, 2020)	95.00: 5.00
Staff Quarters ratio	81.58: 18.42

Details of adjustment to RAB

A. Exclusion of Financing Allowance and assets related to ANS activities from the RAB as on November 1, 2020

It was observed that the RAB as on November 1, 2020, included Financing Allowance of ₹ 1.48 Crores. Since AAI has not disclosed any borrowings in the True up submission, such amount is proposed not to be allowed for the determination of RAB.

It was also observed that certain assets related to ANS activities had been included in the RAB as per AAI's submission. Such assets have been excluded from the Adjusted RAB computed by the Study as on COD.

B. Reclassification of assets of AAI as on November 1, 2020

Boundary wall

a. Allocation as per AAI: Aeronautical
b. Observation: The assets pertaining to construction of boundary wall in staff quarters have been considered as Aeronautical assets by AAI. However, as these assets are for the residential purposes of the staff, wherein both Aeronautical and ANS employees reside, the same is reclassified as Common asset and segregated in the Staff Quarters ratio (81.58:18.42)
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.07 Crores.

Terminal building

a. Allocation as per AAI: Aeronautical / Common
b. Observation: The assets pertaining to construction of terminal building, canopy in front of terminal buildings and other works have been considered as Aeronautical assets or have been allocated using common asset ratio by AAI. However, as these assets are within / pertaining to the terminal building, wherein both Aeronautical and Non-aeronautical activities are carried out, the same is reclassified as Common asset and segregated in the Terminal Building ratio (92.5:7.5).
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.37 Crores

Integrated Office Complex

a. Allocation as per AAI: Aeronautical
b. Observation: The construction of the integrated office complex has been classified as Aeronautical assets by AAI. As these assets are used by both Aeronautical and Non-aeronautical staff, these are reclassified as Common assets and have been reallocated using the Employee Head Count ratio between Aeronautical and Non-Aeronautical (96.28:3.72).
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.33 Crores.

Staff Quarters

a. Allocation as per AAI: Aeronautical / Common
b. Observation: The construction of certain assets in the staff quarters has been classified as Aeronautical assets by AAI. As these assets are used by both Aeronautical and ANS staff, these are reclassified as Common assets and have been reallocated using the Staff Quarters ratio (81.58:18.42). Further, certain assets had been classified as Common and allocated using different ratios. Such assets have also been reallocated using the Staff Quarters ratio.
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Increase of ₹ 0.04 Crores.

Plumbing and Electrical works for Airport

a. Allocation as per AAI: Aeronautical
b. Observation: The construction of assets related to rain water harvesting, water supply and construction of generator room have been classified as Aeronautical assets by AAI. As these

assets are used for both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Terminal Building ratio (92.5:7.5).

c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.12 Crores.

Furniture

a. Allocation as per AAI: Aeronautical
b. Observation: The furniture at the terminal building and at administrative offices have been classified as Aeronautical assets by AAI. As these assets are used for both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Terminal Building ratio (92.5:7.5) and the Employee Head Count ratio (96.28:3.72) depending on the nature of such assets
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.05 Crores.

Terminal Building equipment

a. Allocation as per AAI: Aeronautical
b. Observation: The assets pertaining to the installation of Biometric Controls System across the airport and other equipment in the terminal building have been considered as Aeronautical assets by AAI. However, since these assets cater to the need of both Aeronautical and Non-aeronautical activities within the terminal building, these assets are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5).
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.21 Crores.

Equipment for utilities

a. Allocation as per AAI: Aeronautical
b. Observation: The Assets related to sub-station, including earthing and wiring, generators, rain water harvesting and water supply have been classified as Aeronautical assets by AAI. As these assets are used for both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Terminal Building ratio (92.5:7.5).
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.31 Crores

CCTV

a. Allocation as per AAI: Aeronautical
b. Observation: The assets pertaining to the installation of CCTV cameras across the airport, expansion of its storage medium have been considered as Aeronautical assets by AAI. In the absence of specific identification as to the location of the assets, it is prudent to consider such assets as Common assets and has segregated these in the ratio of the Terminal Building (92.5:7.5).
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.06 Crores.

Air Conditioning

a. Allocation as per AAI: Aeronautical
b. Observation: Installation and replacement of air conditioners and related assets at various

locations in the airport have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5).

c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.35 Crores.

Other Equipment

a. Allocation as per AAI: Aeronautical
b. Observation: Certain miscellaneous equipment (such as electrical installation, communication equipment etc.) have generally been classified as Aeronautical assets by AAI. However, since these assets are for the common use, they have been reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5) or in the ratio of the Employee Head Count (96.28:3.72) or in the Staff Quarters ratio (81.58:18.42) depending on the nature of such individual equipment.
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.05 Crores

Commercial assets

a. Allocation as per AAI: Aeronautical
b. Observation: Certain miscellaneous equipment (such as electrical installation, communication equipment etc.) have generally been classified as Aeronautical assets by AAI. However, since these assets are for the common use, they have been reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (92.5:7.5) or in the ratio of the Employee Head Count (96.28:3.72) or in the Staff Quarters ratio (81.58:18.42) depending on the nature of such individual equipment.
c. Allocation proposed as per the Study report: Non-aeronautical
d. Impact on RAB: Reduction of ₹ 0.05 Crores

Other Assets

a. Allocation as per AAI: Aeronautical
b. Observation: Certain miscellaneous assets (such as car shed, computers etc.) have been classified as Aeronautical assets by AAI. However, since these assets are for the common use, they have been reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (90:10) or in the ratio of the Employee Head Count (96.28:3.72) depending on the nature of such individual assets.
c. Allocation proposed as per the Study report: Common
d. Impact on RAB: Reduction of ₹ 0.02 Crores.

Impact of revised Terminal Building ratio and Employee Head Count ratio as per the Study

The total impact of revised Terminal Building Ratio and the differential Employee Head Count ratio as per Study is ₹ Nil.

The year-wise impact of reclassification of assets to the RAB of CCSIA, Lucknow is detailed in the table below:

Table 131: Year-wise impact of reclassification of assets as per the Study

(₹ in Crores)

Particulars	Up to March 31, 2016	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21*	Total
Opening RAB **(A)**	153.11#	151.73	177.42	173.72	200.20	207.46	NA
Additions **(B)**		38.90	9.26	49.31	26.58	2.87	126.92
Financing allowance and assets related to ANS and Cargo activities excluded from RAB **(C)**		(0.25)	(0.13)	(1.03)	(0.41)	0.07	1.75
Deletions **(D)**	-	(0.12)	(1.70)	(2.22)	-	(5.25)	(9.29)
Depreciation as per AAI **(E)**	-	(10.89)	(11.93)	(19.97)	(19.11)	(11.02)	(72.92)
Reclassification adjustments							
Reclassification impact (other than depreciation) **(F)**	(1.38)	(1.77)	1.06	0.84	0.61	0.17	(0.47)
Depreciation impact on reclassification **(G)**	-	(0.18)	(0.26)	(0.45)	(0.41)	(0.18)	(1.48)
Total reclassification impact (H = F + G)	**(1.38)**	**(1.95)**	**0.80**	**0.39**	**0.20**	**(0.01)**	**(1.95)**
Closing RAB	151.73	177.42	173.72	200.20	207.46	194.12	NA

* Up to November 1, 2020

As per AAI's submission

The summary of the value of assets transferred by AAI to the Airport Operator, computed based on the Study report is presented in the table below.

Table 132: Value of assets, post adjustments and reclassification, transferred by AAI to the Airport Operator as per the Study

(₹ in Crores)

Particulars	Aeronautical assets (A)	Non-aeronautical assets (B)	Other assets (C)*	Total D = (A + B +C)
Total assets of AAI as on October 30, 2020 (Net block) as per True up submission	129.86	0.46	27.58	157.90

Particulars	Aeronautical assets (A)	Non-aeronautical assets (B)	Other assets (C)*	Total D = (A + B +C)
Total assets of AAI as on November 1, 2020 (Net block) as per submission	197.82	3.80	48.97	250.59
Adjustments	(1.75)	-	0.29	(1.46)
Reclassification of RAB	(1.95)	(0.17)	(0.08)	(2.20)
Total assets of AAI as on November 1, 2020 (Net block), after reclassification and other adjustments	**194.12**	**3.63**	**49.18**	**246.93**
Less Assets retained by AAI	(10.54) #	(0.26)	(44.51)	(55.31)
Buildings for navigational aids/ radar installations (reclassified) @	4.30	-	(4.30)	-
Net assets transferred by AAI to the Airport Operator as on November 2, 2020	**187.88**	**3.37**	**0.37**	**191.62**

* *Other assets pertain to assets related to ANS activity (refer Asset Allocation report in Appendix I to this Consultation Paper).*

The value of Aeronautical assets retained by AAI (as mentioned in *Table 9 of Asset Allocation Study report*) for ₹ 10.96 Crores is adjusted for reclassification impact of ₹ 0.42 Crores, which is included in the total reclassification impact of ₹ 1.95 Crores

@ Part 1 to Schedule 1 of Schedule Q (CNS/ ATM Agreement) of the Concession Agreement states about Concessionaire Equipment which includes "Buildings for navigational aids/ radar installations" (serial no. 21 to Part 1 of Schedule Q). The Study notes that the building/ civil structure of the Airport Operator used for ANS activities should be treated as part of RAB of the Airport Operator, in line with the approach followed by the Authority for other PPP airports.

C. Reclassification of assets of the Airport Operator as on March 31, 2021

Computer and Software additions

a. Allocation as per CCSIA, Lucknow Limited: Common
b. Observation: The assets pertaining to Computers and Software have been classified as Common assets by the Airport Operator and have been allocated in the ratio of Terminal Building as had been determined by the Airport Operator (94.86:5.14). However, since these assets are for the use of employees of the Airport Operator, the same have been reallocated in the ratio of Employee Head Count of the Airport Operator (95:5).
c. Allocation proposed as per the Study report: Common (Employee Head Count ratio)
d. Impact on RAB: Reduction of ₹ 0.002 Crores.

Furniture

a. Allocation as per CCSIA, Lucknow Limited: Common
b. Observation: The assets such as furniture, table, racks, etc. have been classified as Common assets by the Airport Operator and have been allocated in the ratio of Terminal

Building as had been determined by the Airport Operator (94.86:5.14). However, since these assets are for the use of employees of the Airport Operator, the same have been reallocated in the ratio of Employee Head Count of the Airport Operator (95:5). In addition, Queue Management System which was classified as common by the Airport Operator is now reclassified on the basis of Terminal Building ratio (92.5:7.5).

c. Allocation proposed as per the Study report: Common (Employee Head Count ratio / Terminal Building)
d. Impact on RAB: Reduction of ₹ 0.001 Crores.

Buildings

a. Allocation as per CCSIA, Lucknow Limited: Common
b. Observation: The civil and horticulture work at Lucknow airport have been classified as Common and have been allocated in the Terminal Building ratio by the Airport Operator. The same have been reallocated in the ratio of Terminal Building as determined by the Study (92.5:7.5).
c. Allocation proposed as per the Study report: Common (Terminal Building ratio)
d. Impact on RAB: Reduction of ₹ 0.005 Crores.

Other Assets

a. Allocation as per CCSIA, Lucknow Limited: Common
b. Observation: The assets such as phone, printers, display screens, sensors have been classified as Common assets by the Airport Operator and have been allocated in the ratio of Terminal Building as had been determined by the Airport Operator (94.86:5.14). However, since these assets are for both aero and non-aeronautic activities of the Airport Operator, the same have been reallocated in the ratio of Employee Head Count of the Airport Operator (95:5).
c. Allocation proposed as per the Study report: Common (Employee Head Count ratio)
d. Impact on RAB: Reduction of ₹ 0.0009 Crores.

Intangible asset

a. Allocation as per CCSIA, Lucknow Limited: Common
b. Observation: It is determined from Clause 5.1.1 of the Concession Agreement that the capitalisation of Intangible asset and its allocation may not be a subject matter to be considered as part of the Study report. Accordingly, the Intangible asset have been excluded from the Adjusted RAB computed by the Study as of March 31, 2021.
c. Allocation proposed as per the Study report: Exclude Intangible asset from this report
d. Impact on RAB: Reduction of ₹ 39.08 Crores.

The Summary of the impact of proposed adjustments on Aeronautical assets as on March 31, 2021 in provided in the table below:

Table 133: Adjusted RAB as of March 31, 2021 as per the Study

(₹ Crores)

Particulars		Amount
Adjusted RAB as on November 2, 2020 transferred to Lucknow International Airport Limited	**A**	**187.88**
Additions to RAB from COD to March 31, 2021, proposed by Airport Operator	B	41.61
Sub-total (A + B)	C	**229.49**
Reclassifications on asset additions		
Computers and Software	D	0.002
Furniture	E	(0.001)
Buildings	F	(0.005)
Other Assets (including impact of round-off)	G	0.0009
Exclusion of Intangible asset	H	(39.07)
Impact of differential employee head count ratio	I	-
Total reclassifications Sum (D : I)	J	**(39.07)**
Adjusted RAB (C + J)	K	**190.42**
Depreciation for the period from COD to March 31, 2021	L	(7.16)
Adjusted RAB as on March 31, 2021, i.e., opening RAB for Third Control Period (K + L)*		**183.26**

17.1.6 Based on the above, the year-wise revision in the Gross Fixed Assets ratio has been summarized in the tables below:

Table 134: Summary of assets as submitted by AAI up to COD

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to November 1, 2020)
Aeronautical Gross block (closing) **(A)**	300.32	307.88	354.97	381.55	379.18
Non-aeronautical Gross block **(B)**	7.56	7.56	7.56	7.56	7.56
Total Gross block (C = A + B)	307.88	315.44	362.53	389.11	386.74
Non-Aeronautical ratio	*2.46%*	*2.40%*	*2.09%*	*1.94%*	*1.95%*
Aeronautical Accumulated Depreciation **(D)**	(119.32)	(131.25)	(151.22)	(170.33)	(181.36)
Non-aeronautical Accumulated Depreciation **(E)**	(0.22)	(1.21)	(2.19)	(3.18)	(3.76)
Aeronautical Net block (RAB) **(F = A – D)**	181.00	176.63	203.75	211.22	197.82

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to November 1, 2020)
Non-aeronautical Net block **(G = B – E)**	7.34	6.35	5.37	4.38	3.80
Total Net block (H = F + G)	**188.34**	**182.98**	**209.12**	**215.60**	**201.62**
Non-aeronautical Net block as a % of Total Net block	*3.90%*	*3.47%*	*2.57%*	*2.03%*	*1.88%*

Table 135: Summary of assets up to COD, net of Financing allowance and assets related to ANS activities included in Aeronautical assets

(₹ in Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to Nov 1, 2020)
Aeronautical Gross block (closing) **(A)**	300.07	307.48	353.50	379.52	377.12
Non-aeronautical Gross block **(B)**	7.56	7.56	7.56	7.56	7.56
Total Gross block (C = A + B)	**307.63**	**315.04**	**361.06**	**387.08**	**384.68**
Non-Aeronautical ratio	***2.46%***	***2.40%***	***2.09%***	***1.95%***	***1.97%***
Aeronautical Accumulated Depreciation **(D)**	(119.32)	(131.23)	(151.16)	(170.11)	(181.05)
Non-aeronautical Accumulated Depreciation **(E)**	(0.23)	(1.21)	(2.19)	(3.18)	(3.76)
Aeronautical Net block (RAB) **(F = A – D)**	180.75	176.25	202.34	209.41	196.07
Non-aeronautical Net block **(G = B – E)**	7.33	6.35	5.37	4.38	3.80
Total Net block (H = F + G)	**188.08**	**182.60**	**207.71**	**213.79**	**199.87**
Non-aeronautical Net block as a % of Total Net block	*3.90%*	*3.48%*	*2.59%*	*2.05%*	*1.90%*

Table 136: Summary of assets derived for the Airport Operator as part of the Study as on March 31, 2021 prior to reclassification

(₹ in Crores)

Particulars	Assets transferred from AAI on November 2, 2020	Buildings for navigational aids/ radar installations transferred by AAI	Additions	March 31, 2021
Aeronautical Gross block **(A)**	185.11*	4.30	41.61	231.02
Non-aeronautical Gross block **(B)**	3.80	-	2.26	6.06
Total Gross block (C = A + B)	**188.91**	**4.30**	**43.87**	**237.08**
Non-Aeronautical ratio	***2.01%***			***2.56%***
Aeronautical Depreciation **(D)**				(9.44)

Particulars	Assets transferred from AAI on November 2, 2020	Buildings for navigational aids/ radar installations transferred by AAI	Additions	March 31, 2021
Non-aeronautical Depreciation **(E)**				(0.53)
Aeronautical Net block (RAB) **(F = A – D)** Non-aeronautical Net block **(G = B – E)**				217.28 5.53
Total Net block (H = F + G)				**222.81**

Table 137: Types of reclassifications and impact as per the Study

(₹ Crores)

		Impact of reclassification of assets on Gross Block of the assets– Increase / (Decrease)					
S. No.	**Reclassification**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21 (up to November 1, 2020)**	**From COD up to March 31, 2021**
1	Aeronautical to Common	(4.52)	(4.59)	(4.66)	(4.86)	(5.05)	(1.48)
2	Aeronautical to Non-aeronautical	(1.14)	(0.53)	(0.53)	(0.53)	(0.53)	(0.05)
3	Intangible asset excluded	-	-	-	-	-	(39.07)
	Total	**(5.66)**	**(5.12)**	**(5.19)**	**(5.39)**	**(5.58)**	**(40.60)**

Table 138: Revised Gross and Net block of Assets up to COD as per the Study report

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to November 1, 2020)
Aeronautical gross block **(A)**	294.41	302.36	348.31	374.13	371.54
Non-aeronautical gross block **(B)**	13.22	12.68	12.75	12.95	13.14
Total gross block (C = A + B)	307.63	315.04	361.06	387.08	384.68
Revised Non-Aeronautical ratio	4.30%	4.02%	3.53%	3.35%	3.42%
Increase in Non-Aeronautical ratio	1.84%	1.62%	1.44%	1.40%	1.45%

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to November 1, 2020)
Aeronautical Accumulated Depreciation **(D)**	(116.99)	(128.64)	(148.11)	(166.67)	(177.42)
Non-aeronautical Accumulated Depreciation **(E)**	(4.34)	(5.81)	(7.26)	(8.67)	(9.51)
Aeronautical Net block (RAB) **(F = A – D)**	177.42	173.72	200.20	207.46	194.12
Non-aeronautical Net block **(G = B – E)**	8.88	6.87	5.49	4.28	3.63
Total Net block (H = F + G)	**186.30**	**180.59**	**205.69**	**211.74**	**197.75**
Non-aeronautical Net block as a % of Total Net block	**4.77%**	**3.80%**	**2.67%**	**2.02%**	**1.84%**

Table 139: Revised Gross and Net block of Assets as on March 31, 2021 as per the Study report

(₹ Crores)

Particulars	Assets transferred from AAI on November 2, 2020 *(including value of Buildings for navigational aids/ radar installations)*	Additions	Reclassification adjustments	March 31, 2021
Aeronautical gross block **(A)**	189.41	41.61	(40.60)	190.42
Non-aeronautical gross block **(B)**	3.80	2.26	(2.55)	3.51
Total gross block (C = A + B)	**193.21**	**43.87**	**(43.15)**	**193.93**
Non-Aeronautical ratio				***1.81%***
Aeronautical Depreciation **(D)**				(7.16)
Non-aeronautical Depreciation **(E)**				(0.56)
Aeronautical Net block (RAB) **(F = A – D)**				183.26
Non-aeronautical Net block **(G = B – E)**				2.95
Total Net block (H = F + G)				**186.21**

17.1.7 As seen from the above table, the net increase due to the above adjustments in the Aeronautical RAB from FY 2016-17 to FY 2020-21 (up to November 1, 2020) for AAI as on November 1, 2020, is ₹ 1.95 Crores and the net decrease for the Airport Operator as on March 31, 2021 is ₹ 39.07 Crores.

17.2 Annexure 2 - Summary of study on efficient Operation and Maintenance expenses

Background

17.2.1 Establishing efficient Operation and Maintenance (O&M) expenses is an essential component in tariff determination for Aeronautical services. The allocation of O&M expenses as Aeronautical and Non-aeronautical expenses depends on the nature of expenses, type of assets which they service, the business function which they are deployed for, the end-user that benefits or avails services from those expenses, and reasonableness of the quantum of such expenses.

17.2.2 Towards this objective, AERA has decided to conduct an independent study on efficient Operation and Maintenance expenses, and their allocation as Aeronautical and Non-aeronautical components in respect of O&M expenses appearing in the extract of the audited trial balance of AAI for the period from FY 2016-17 to November 1, 2020 and the audited financial statements of CCSIA, Lucknow Limited for the period from November 2, 2020 (Commercial Operation Date (COD)) to March 31, 2021.

Comparison of Aeronautical O&M expenses approved as per Tariff Order for the Second Control Period vis-à-vis the actual expenses incurred by AAI and AO

17.2.3. The Study compared the Aeronautical O&M expenses as per approved tariff order of Second Control Period (SCP) with actual expenses incurred by both AAI and Airport Operator (AO) and analyzed the reasons for deviation in such O&M expenses. The details of O&M expenses approved as per tariff order and the actuals incurred during the Second Control Period, are shown in the table below:

Table 140: Aeronautical O&M expenses of CCSIA for the Second Control Period - Projections vs. Actuals

(₹ in Crores)

Particulars	Projections (as per the Tariff Order) (A)	Actuals as per true-up submission of AAI up to COD (B)	Actuals as per true-up submission of AO post-COD till March 31, 2021 (C)	Total Actuals as per true-up submission of AAI and AO for SCP (D=B+C)	Variance (E = D-A)	Variance (%) (F = E / A)
Employee benefit expenses	**193.90**	147.21	18.32	**165.53**	**(28.37)**	**-**
Administrative and other expenses	**102.80**	297.06	16.88	**313.94**	**211.14**	**205.39%**
Utilities (Operating) and other outsourcing expenses	**41.60**	54.61	3.41	**58.02**	**16.42**	**39.47%**
Repairs & Maintenance	**60.50**	81.54	5.30	**86.84**	**26.34**	**43.54%**
Other Outflows	**2.60**	5.31	0.65	**5.96**	**3.36**	**129.23%**
Total Aeronautical O&M expense for	**401.40**	585.74	44.55	**630.29**	**228.89**	**57.02%**

Particulars	Projections (as per the Tariff Order) (A)	Actuals as per true-up submission of AAI up to COD (B)	Actuals as per true-up submission of AO post-COD till March 31, 2021 (C)	Total Actuals as per true-up submission of AAI and AO for SCP (D=B+C)	Variance (E = D-A)	Variance (%) (F = E / A)
the Second Control Period						

17.2.4. Analysis of actual expenses incurred by AAI and AO was carried out as part of the Study and it was observed that, the major reasons for the overall deviation of 57.02% in the Total Aeronautical O&M expenses for the Second Control Period, were as follows:

iii. Employee expenses of the Airport Operator for the post-COD period were on the higher side considering that there are existing employees of AAI i.e., *"Select Employees"* deputed to CCSIA for handling various departmental functions at the airport.

iv. CHQ & RHQ expenses had increased from ₹ 71.20 Crores, as approved in the Tariff Order to ₹ 263.33 Crores of actual expenses, incurred during the Second Control Period

v. Repairs & Maintenance expenses being higher than the approved amount for all the FYs of the Second Control Period and also, higher than 6% of Opening RAB of all the FYs except for FY 2016-17 and

vi. Utility expenses were higher than the amount approved in the Tariff Order mainly due to actual Electricity expenses being approximately 53% higher than the approved amount for the Second Control Period

17.2.5. Based on the above analysis, it was determined that there was a need to rationalize and bring more efficiency by optimizing the O&M expenses at CCSIA. Accordingly, the Study proposed the following:

- Reclassification of the Employee Head Count Ratio based on revised employee numbers for the Airport Operator and reallocate the corresponding employee costs of the AO for the post-COD period.
- Rationalization of CHQ & RHQ allocation (included in administrative and other expenses) and Repairs & Maintenance expenses incurred by CCSIA.
- Further, as there was no scope for rationalizing the electricity expenses, it was suggested that the Airport Operator should take steps to bring efficiencies in the overall Utility expenses over a period of time.

Principles for segregation of costs

17.2.6 This Study segregates the O&M expenses of CCSIA, Lucknow into the following:

- **Aeronautical expenses:** Expenses which are incurred for operation and maintenance of Aeronautical assets have been categorised as Aeronautical expenses.
- **Non-aeronautical expenses:** Expenses which are incurred for operation and maintenance of Non-aeronautical assets have been categorized as Non-aeronautical expenses.
- **Common expenses:** Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical or Non-aeronautical activities have been segregated as Common

expenses. Expenses primarily incurred for provision of Aeronautical services but are also used for provision of Non-aeronautical services are segregated as Common Expenses. Expenses which are used for general corporate purposes including legal, administration, and management affairs are treated as Common Expenses.

17.2.7 The Segregation of the various O&M expenses as per AAI's submission is as below:

Table 141: Segregation ratio for O&M expenses as per AAI's submission

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21*
Employee benefit	96.50%	88.84%	95.94%	93.03%	90.00%
Administrative and other expenses	95.45%	95.71%	95.81%	95.62%	95.52%
Operating expenses	100.00%	99.30%	100.00%	100.00%	99.87%
Repairs and Maintenance	100.00%	100.00%	100.00%	99.05%	100.00%

*Up to the date of COD (November 2, 2020)

Details of adjustment to O&M expenses

17.2.8 The study on the basis of the expense classification and principles of segregation adopted, as can be seen in the above paragraphs, has considered re-segregation of Operation and Maintenance expenses to determine Aeronautical O&M costs. The study has proposed the following ratios:

Table 142: Revised segregation ratio for O&M expenses as per the study

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21*
Employee benefit	91.04%	83.42%	90.63%	87.60%	80.04%
Administrative and other expenses	91.04%	83.42%	90.63%	87.60%	80.04%
Operating expenses	83.98%	81.58%	82.03%	84.66%	83.40%
Repairs and Maintenance	93.65%	87.92%	85.70%	89.93%	88.56%

*Up to the date of COD (November 2, 2020)

17.2.9 Based on the above reclassification and change in allocation ratio, the Study has proposed the revised Aeronautical O&M expenses (prior to rationalisation) for the period FY 2016-17 to COD as summarised in the table below:

Table 143: Aeronautical O&M expenses due to reclassification and change in allocation ratio (prior to rationalisation) for AAI for the period from FY 2016-17 to COD as per Study

(₹ Crores)

O&M expenses	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21*	Total
Employee benefit expenses	22.23	28.52	37.17	31.45	18.17	**137.54**
Administrative and other expenses	57.66	65.52	60.17	74.24	37.46	**295.05**
Utilities (Operating) and other outsourcing expenses	8.23	9.30	9.22	12.47	6.28	**45.50**

O&M expenses	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21*	Total
Repairs & Maintenance (including amortisation of runway recarpeting expenses amounting to ₹ 4.42 Crores in each FY)	10.61	14.10	17.24	16.74	16.19	**74.88**
Other Outflows	(0.00)	0.76	1.59	1.04	0.07	**3.46**
Total	**98.73**	**118.2**	**125.39**	**135.94**	**78.16**	**556.42**

*Up to the date of COD (November 2, 2020)

17.2.10 Based on the review of the O&M expenses as per the Airport Operator's submission, adjustments were made in the Manpower expenses with respect to staff deputed by AAI, rectification of the Employee Head Count ratio considered by the Airport Operator and adjustment for various expenses. Pursuant to such adjustments and reclassifications, the revised Aeronautical O&M expenses for the period from COD to March 31, 2021, as summarised in the table below:

Table 144: Aeronautical O&M expenses for the Airport Operator for the period from COD to March 31, 2021, proposed by Study

(₹ Crores)

Particulars	November 2, 2020 to March 31, 2021
Manpower expenses – AAI employees	10.22
Manpower employees – Airport Operator's employees	4.93
Utility expenses	3.38
IT expenses	0.54
Rates and Taxes	0.77
Security expenses	1.61
Corporate Allocation cost	5.83
Administration and General expenses	3.65
Insurance expenses	0.41
Repairs & Maintenance expenses	5.35
Other Operating expenses	4.08
Bank charges	0.63
Total	**41.39**

Rationalisation of O&M expenses

17.2.11 Based on the Internal and External Benchmarking analysis, it was observed that the Operation and Maintenance expenses for CCSIA, Lucknow for the period from FY 2016-17 to FY 2020-21 are higher than normal operating efficiency levels as mentioned below:

- For AAI from FY 2016-17 to COD - Repairs & Maintenance expenses and CHQ/RHQ allocations of the corporate overheads included in Administrative and other expenses

- For Airport Operator from COD up to March 31, 2021 – Corporate Allocation cost, Other Operating expenses and Repairs & Maintenance expenses

17.2.12 It was proposed to rationalize such expenses to determine the efficient Aeronautical O&M expenses for the period from FY 2016-17 to FY 2020-21.

Efficient Aeronautical O&M expenses

17.2.13 Based on the above, the efficient Aeronautical Operating and Maintenance expenses for AAI and the Airport Operator are given in the tables below:

Table 145: Efficient Aeronautical O&M expenses for AAI for the period from FY 2016-17 to COD after rationalization as per Study

(₹ Crores)

Aeronautical O&M expenses	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21*	Total
Employee benefit expenses	22.23	28.52	37.17	31.45	18.17	**137.54**
Administrative and other expenses	48.07	53.64	49.79	63.29	20.89	**235.68**
Utilities (Operating) and other outsourcing expenses	8.23	9.30	9.22	12.47	6.28	**45.50**
Repairs & Maintenance expenses	10.61	14.10	14.84	16.43	11.68	**67.66**
Other Outflows	(0.00)	0.76	1.59	1.04	0.07	**3.46**
Total	**89.14**	**106.32**	**112.61**	**124.68**	**57.09**	**489.83**

* Up to the date of COD (November 2, 2020)

Table 146: Efficient Aeronautical O&M expenses for the Airport Operator for the period from COD to March 31, 2021 after rationalisation as per Study

(₹ Crores)

Aeronautical O&M expenses	FY 2020-21*
Manpower expenses – AAI employees	10.22
Manpower employees – Airport Operator's employees	4.93
Utility expenses	3.38
IT expenses	0.54
Rates and Taxes	0.77
Security expenses	1.61
Allocation of Corporate expenses	5.44
Administration and General expenses	3.65
Insurance expenses	0.41
Repairs & Maintenance expenses	4.70

Aeronautical O&M expenses	**FY 2020-21***
Other Operating expenses	3.65
Bank charges	0.63
Total	**39.92**

** For the period from COD to March 31, 2021*

17.2.14 AAI has claimed Aeronautical O&M expenses of ₹ 585.74 Crores for the period from FY 2016-17 till COD as part of their True up submission and the Airport Operator has claimed Aeronautical O&M expenses of ₹ 44.55 Crores as part of their True up submission for the period from COD up to March 31, 2021.

17.2.15 The Study proposes ₹ 489.83 Crores as the Aeronautical O&M expenses for AAI for the period from FY 2016-17 till COD, thus, resulting in a downward adjustment of ₹ 95.91 Crores in the Aeronautical O&M expenses. The Aeronautical O&M expenses for the period from FY 2016-17 till COD is reduced by 16.37%.

17.2.16 The Study proposes ₹ 39.92 Crores as the Aeronautical O&M expenses for the Airport Operator for the period from COD up to March 31, 2021, thus, resulting in a downward adjustment of ₹ 4.63 Crores for the Airport Operator. The Aeronautical O&M expenses for the period from COD up to March 31, 2021 is reduced by 10.39%.

17.3 Annexure 3 – Clauses of the Concession Agreement entered between AAI and Airport Operator

17.3.1. The Airports Authority of India (AAI) entered into a Concession Agreement with Lucknow International Airport Limited (Airport Operator) on February 14, 2020 for the Operation, Management and Development of Chaudhary Charan Singh International Airport (CCSIA) for a period of 50 years from the Commercial Operation Date (COD) i.e., November 2, 2020 in accordance with the terms and conditions mentioned in the Concession Agreement.

17.3.2. The relevant Clause of the Concession Agreement reads as:

3.1.1. "Subject to and in accordance with the provisions of this Agreement, Applicable Laws and the Applicable Permits, the Authority hereby grants to the Concessionaire, the concession set forth herein including the exclusive right, lease and authority to operate, manage and develop the Airport ***("Concession")*** *for a period of 50 (fifty) years commencing from the COD, and the Concessionaire hereby accepts the Concession and agrees to implement the Project subject to and in accordance with the terms and conditions set forth herein".*

Subject to and in accordance with the provisions of this Agreement, the Authority, Applicable Laws and the Applicable Permits, the Concession hereby granted shall oblige or entitle (as the case may be) the Concessionaire to:

(a) *the Right of Way, access and lease to the Site for the purpose of and to the extent conferred by the provisions of this Agreement;*

(b) *finance the development and expansion of the Airport;*

(c) *operate, maintain and manage the Airport and regulate the use thereof by third parties;*

(d) *demand, collect and appropriate Fee from Users liable for payment of Fee for using the Airport or any part thereof and refuse entry of any such User if the Fee due is not paid;*

(e) *pe'form and fulfil all of the Concessionaire' s obligations under and in accordance with this Agreement;*

(f) *save as otherwise expressly provided in this Agreement, bear and pay all costs, expenses, Taxes and charges in connection with or incidental to the performance of the obligations of the Concessionaire under this Agreement; and*

(g) *neither assign, transfer or create any lien or encumbrance on this Agreement, or the Concession hereby granted or on the whole or any part of the Airport nor trans fer, orpart possession thereof, save and except as expressly permitted by this Agreement or the Substitution Agreement.*

27.1.1. Subject to Clause 27.3, the Concessionaire agrees to pay to the Authority, during the Concession Period, a monthly concession fee calculated as follows (the ***"Monthly Concession Fee"):***

Per Passenger Fee International Passenger Per Passenger Domestic passenger *for International Passengers x Throughput for that month + Fee for Domestic Passengers x Throughput for that month*

"Where:

***Per Passenger Fee for Domestic Passengers"** means Rs. 171 (Rupees One Hundred and Seventy-one), as may be revised pursuant to Clause 27.3;*

*"**Per Passenger Fee for International Passengers"** means 2 (two) times the Per Passenger Fee for Domestic Passengers;*

*"**Domestic Passenger Throughput"** for any month shall mean the total domestic Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time;*

*"**International Passenger Throughput"** for any month shall mean the total International Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time;*

Provided further that, in the first and that last months of the Concession Period, the International Passenger Throughput and Domestic Passenger Throughput shall be pro-rated by the number of the days in such months as reckoned with respect to the COD or Transfer Date, as relevant.

27.1.2. The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority Under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same.

*20.1.1 The Concessionaire acknowledges and agrees that only the Designated GOI Agencies are authorised to undertake the following services **("Reserved Services")** at the Airport:*

(a) CNS/ATM Services;

(b) security services;

(c) meteorological services;

(d) mandatory health services;

(e) customs control;

(f) immigration services;

(g) quarantine services;

(h) any other services, as may be notified by GOI;

Provided that, subject to the Applicable Laws and the Applicable Permits, nothing in this Agreement shall restrict the Authority from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may *be mutually agreed between the Parties.*

17.3.3. The relevant portion of Schedule T which pertains to the list of capital expenditure contracts already awarded by AAI and handed over to the Airport Operator and Schedule U which pertains to the list of capital expenditure projects proposed / planned by AAI but not yet awarded and forming part of the terms of the Concession Agreement are given below:

SCHEDULE T

EXISTING CONTRACTS

List of Works already awarded by AAI:

List of capital work-in-progress ongoing works:

A. Major Capital Works

Rs. in Crores

S.No.	Name of Work	Award Value / Tentative Cost (Rs. In Cr)	Stipulated date of Start	Stipulated / Probable Date of Completion	Likely Progress as on 30.06.2019		Remark
					Physical	Financial (Rs. In Cr.)	
(A) Awarded Works							
1	Consultancy for enviornmental clearance for Construction of New Integrated Terminal Building	0.07	09.10.2017	28.10.2019	93%	0.08	
2	Appointment of Project Management Consultant (PMC), from Concept to Commissioning for Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow ('6.90% of the estimated cost prepared by the PMC and approved by AAI OR awarded value of the execution contracts (item rate) OR completion cost of the execution contracts, whichever is less.)	72	17.03.2017	16.07.2021	68%	34.00	
3	Constraction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow.	1048.2	04.09.2018	03.09.2021	36%	185.00	
4	Constraction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Multi tasking services.	0.19	22.10.2018	21.10.2020	35%	0.07	
5	Construction of Apron for 8 No.s Code 4C type of aircraft along with two link taxiways at Chaudhary Charan Singh International Airport, Lucknow (Uttar Pradesh).	40.90	01.02.2018	Sept, 2019	20%	8.00	
6	Construction of Apron for 08 Nos code 4C type of aircraft along with two link taxiways at CCSI Airport, Lucknow . SH: Shifting & Diversion of Cables (Phase-I).	0.41	22-02-2018	31.12.2018	100%	0.41	
7	Constrction of Apron for 08 Nos code 4C type of aircraft along with two link taxiways at CCSI Airport, Lucknow . SH: Shifting & Diversion of Cables (Phase-II).	0.2	25-10-2018	Jan'2019	100%	0.20	
8	Consultancy Services for Civil, Structural, Electrical, Fire Fighting and Other Services for Construction of Various Types of Residential Quarters for AAI Staff at CCSI	0.53	14/16.08.2017	Apr 2022	25%	0.08	

	Airport, Lucknow-(0.48% of approved estimated cost, awarded cost or completion cost, whichever is lower.)						
9	Construction of New Fire Station (CAT-IX), Sub Fire Station (CAT-IV), Emergency Medical Centre and E & M workshop at C.C.S.I Airport, Lucknow.	23.1	06.11.2017	05.07.2019 / Dec' 2019	35%	8.50	
10	Re-Carpeting of Runway at Lucknow including CAT –III B Lighting (Phase-II) at CCSI Airport, Lucknow	36.17	30.03.2017	30.08.2018/ Feb' 2019	100%	38.00	
11	Expansion of Existing Isolation Bay SH: Civil Works	9.33	06.12.2017	14.10.2018/ July' 2019	70%	10.00	
12	Expansion of Existing Isolation Bay SH: Electrical Work	0.65	05.01.2018	July' 2019	100%	0.65	
(B) List of Works Mandatory and part of exisiting ongoing works shall be taken up by AAI. (Under Novation Clause)							
13	Construction of Apron for 08 Nos code 4C type of aircraft along with two link taxiways at CCSI Airport, Lucknow . SH: Provision of High mast	1.53	Apr' 2019	Sep' 2019	0%	0.00	Mandatory part of Ongoing Apron Work
14	Construction of Apron for 08 Nos code 4C type of aircraft along with two link taxiways at CCSI Airport, Lucknow . SH: Providing of CAT-III B lighting	3.90	Apr' 2019	Mar' 2020	0%	0.00	Mandatory part of Ongoing Apron Work
15	Construction of Apron for 08 Nos code 4C type of aircraft along with two link taxiways at CCSI Airport, Lucknow . SH: Augmentation of Power Supply.	5.15	May'2019	Jan' 2020	0%	0.00	Mandatory part of Ongoing Apron Work
16	Construction of Apron for 08 Nos code 4C type of aircraft along with two link taxiways at CCSI Airport, Lucknow . SH: Construction of New Power House cum Substation CCR Building.	3.83	Mar' 2019	Apr' 2020	10%	0.30	Mandatory part of Ongoing Apron Work
17	Construction of Part Parallel Taxi track at CCSI Airport, Lucknow	99.75	Apr' 2019	Sep' 2020	0%	0.00	Mandatory Operational requirement to be taken up on Prioirity. A/A & E/S stage
18	Construction of Part Parallel Taxi track at CCSI Airport, Lucknow SH: Relocation of operational boundary wall	0.62	Jun' 2019	Feb' 2020	0%	0.00	Mandatory Operational requirement to be taken up on Prioirity. A/A & E/S stage
19	Construction of Part Parallel Taxi track at CCSI Airport, Lucknow SH: Soil Investigation	0.10	Apr' 2019	Jun' 2019	0%	0.00	Mandatory Operational requirement to be taken up on Prioirity. A/A & E/S stage
20	Construction of Part Parallel Taxi track at CCSI Airport, Lucknow SH: QA & QC	0.45	Apr' 2019	Sep' 2020	0%	0.00	Mandatory Operational requirement to be taken up on Prioirity. A/A & E/S stage
21	Construction of Part Parallel Taxi track at CCSI Airport, Lucknow SH: Provision of GLF works	12.2	Oct' 2019	Sep' 2020	0%	0.00	Mandatory Operational requirement to be taken up on Prioirity. A/A & E/S stage
22	Construction of Part Parallel Taxi track at CCSI Airport, Lucknow SH: Shifting and diversions of cables	1.00	Apr' 2019	Sep' 2019	0%	0.00	Mandatory Operational requirement to be taken up on Prioirity. A/A & E/S stage
23	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Through Contingency Fund (Shifting of CCR System, Provision of 33 Kv service connection, Provision of HT panel at Terminal -2 substation and other miscellanious works	34.00	Jan' 2019	Jun' 2020	0%	0.00	Mandatory Work related to Construction of T3
24	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Multi level car parking		May'2019	Sep'2020	0%	0.00	Mandatory package related top commissioning of Phase - I of T3 project. To be taken up by BDU as BOT scheme
25	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Passenger Boarding bridge	19	May'2019	Jun'2020	0%	0.00	Mandatory package related top commissioning of Phase - I of T3 project.
26	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow.SH: Baggage Handling system	40.2		Sep'2020	0%	0.00	Mandatory package related top commissioning of Phase - I of T3 project.
27	Construction of interim cargo complex at C.C.S. Airport Lucknow i/c electrical works.	12.69	Jun' 2019	Jun' 2020	0%	0.00	Mandatory. It is related to T3 project as existing cargo building is to be demolished
. Minor Capital Works							
A) Awarded Works							
1	Augmentation of Air conditioning system in Terminal-2 building at CCSI Airport, Lucknow SH: SITC of addition cooling tower	0.30	08.02.2018	07.01.2019	100%	0.30	
2	Provision of Air conditioners and electrical works for FIDS/CCTV room,PA system, FFM (Parrot Room) & LLZ	0.12	12.02.2018	28.02.2019	100%	0.12	

	frangible hut for CNS at CCSI Airport, Lucknow SH: Provision of Air conditioning units.						
3	Provision of standby power supply for ASMGCS RU's units in operational area at CCSI Airport, Lucknow	1.73	11.05.2018	10.09.2018	100%	1.73	
4	Provision of various signages under Project: "AAI way finding signages project at select as report" at CCSI Airport, Lucknow	3.34	28.05.2018	30.06.2019	100%	3.00	
5	SITC of ILBS System at Various Airports in India . SH:- Modification of existing Departure Baggage Handling system to accommodate CTX based ILBS system at Lucknow Airports(FOB Part)	0.85	16.08.2018	12.04.2019	100%	0.85	
6	SITC of IIBS System at variorls Airports in India SH: Mcdification of existing Departure Baggqge handling system to . accomqodate CTX based ILBS systein at Lucknow. Airport, Installation, Testing and Commissioning of Baggage handling system.	2.88	16.08.2018	23.03.2019	100%	2.88	
7	Providing Apron drive glass walled Passenger Boarding Bridges and Advanced Visual Docking Guidance System (AVDGS) for Goa, Calicut, Coimbatore, Mangalore, Trichy, Vadodara, Amritsar, Ahmedabad, & Trivandrum Airport in India	1.60	16.08.2018	30.06.2019	100%	1.60	
8	Provision of additional roof top based ductable Air Cooled Condensing Unit with AHU and associated works for the first floor SHA in Terminal-2 building	0.3	16.08.2018	30.06.2019	100%	0.30	
9	Construction of Operation Boundary Wall in front of Rwy 09 Towards Kanpur road & all around DVOR at CCSI Airport Lucknow.	0.80	13.07.2018	12.01.2019	100%	0.90	
10	Provision of Tensile Fabric Canopy and associated works in front of Terminal-2 at C.C.S. International Airport, Lucknow.	2.35	23.08.2018	23.06.2019	100%	2.50	
11	Construction of RCC retaining wall and boundary wall towards runway 27 end at C.C.S.I. Airport, Lucknow.	0.85	11.07.2018	10.03.2019	100%	1.10	
12	Widening of perimeter road at C.C.S.I. Airport, Lucknow	3.85	12.10.2018	11.04.2019	100%	4.00	
13	Provision of Frangible Hut at Localizer and Glide Path at C.C.S.I. Airport, Lucknow. (Civil Work)	0.16	08.09.2018	08.01.2019	100%	0.20	
14	Expansion of Security Hold area near Gate No. 5 in Terminal-2 at C.C.S.I. Airport Lucknow	0.2	01.12.2018	07.04.2019	100%	0.20	
15	Provision of Immigration Counter for Terminal-1 at C.C.S.I. Airport Lucknow.	0.18	25.11.2018	10.01.2019	100%	0.18	
16	Improvement of existing water supply system of AAI colony and Terminal-2 at C.C.S.I. Airport, Lucknow.	0.45	01.11.2018	31.01.2019	100%	0.40	
17	Construction of Property wall around AAI land at C.C.S.I. Airport, Lucknow. **(Deposit work to UPRNNL)**	12.58	Dec'2018	Dec '2020	20%	5.03	
(B) List of Works Mandatory and part of exisiting ongoing works to be taken up. (Under Novation Clause)							
18	Replacement of Old ACs water Coolers, water purifiers etc. at CCSI Airport Lucknow	0.35	30.11.2018	28.02.2019	0%	0.00	Essential opetaional/Functional requirement
19	Augmenatation of Air conditioning system for Terminal-2 at Lucknow Airport 1. SH:- Provision of Aircooled additional airconditioning system for depature Lounge. 2. SH:- Provision of Optimized Ventilation system	1.00	31.12.2018	30.06.2019	0%	0.00	Essential opetaional/Functional requirement
20	Augmentation of ATC Substation i/c replacement of DG set, Panel and transformer at CCSI Airport Lucknow	2.32	30.01.2019	29.04.2019	0%	0.00	Essential opetaional/Functional requirement
21	Extension of "Security Hold Area of Gate No. 5" in Terminal-2 Building at CCSI Airport Lucknow	0.59	30.01.2019	29.04.2019	100%	0.59	Essential opetaional/Functional requirement
22	Provision of Tensile Fabric Canopy and associated works in front of Terminal -2 at CCSI Airport Lucknow	0.19	30.01.2019	30.07.2019	0%	0.00	Essential opetaional/Functional requirement
23	Construction of Drain in operational & Non-Operational area i/c survey work at CCSI Airport Lucknow.	27.15	15.01.2019	30.04.2020	0%	0.00	Essential opetaional/Functional requirement
24	Misc. civil work in Operational area at CCSI Airport Lucknow	0.50	01.02.2019	30.04.2019	0%	0.00	Essential opetaional/Functional requirement
25	Misc. civil work in ATC Building at CCSI Airport Lucknow	1.00	01.03.2019	30.05.2019	0%	0.00	Essential opetaional/Functional requirement
26	"Provision of Automatic Electronics Access Control System (AEACS), i.e. e-GATES and Dynamic signage at Departure and Arrival immigration counters at AAI International Airports. SH: Providing and fixing of 08 Nos. Immigration	0.30	01.04.2019	31.10.2019	0%	0.00	Essential opetaional/Functional requirement

	counters in International Terminal Building (T1) at C.C.S.I. Airport Lucknow."						
27	Misc. Civil works & Renovation work in CISF Barrack at CCSI Airport, Lucknow.	0.42	01.04.2019	30.07.2019	0%	0.00	Essential opetaional/Functional requirement
28	Repairing of broken/ damaged road approaching to terminal-2 i/c laying of drainage pipe at C.C.S.I. Airport, Lucknow.	1.15	01.04.2019	31.10.2019	0%	0.00	Essential opetaional/Functional requirement
29	Display of Local art in Terminal 1 & 2 at C.C.S.I. Airport, Lucknow.	0.97	Jan' 2019	Jan' 2019	0%	0.00	Essential opetaional/Functional requirement
30	Provision of Stainless Steel chair in city side area of Terminal Building (T1 & T2) at C.C.S.I. Airport, Lucknow.	0.12	Dec' 2018	Jan' 2019	0%	0.00	Essential opetaional/Functional requirement
31	Conceptualizing and designing of proposal for "Display of Local Artwork " i.e. Mural/Painting/Sculpture or any other classified form etc. at C.C.S.I. Airport, Lucknow.	0.84	Jan' 2019	may' 2019	0%	0.00	Essential opetaional/Functional requirement
32	Misc. Civil / modification/ Beautification work for Terminal Building -2 (in toilets and other areas) at CCSI Airport Lucknow	2.00	Jan' 2019	Apr' 2019	0%	0.00	Essential opetaional/Functional requirement
33	Construction of Canopy and development of surrounding area near BMA in Terminal-2 at C.C.S.I. Airport, Lucknow	0.80	Jan' 2019	Apr' 2019	0%	0.00	Essential opetaional/Functional requirement
	Total	1538.17				311.17	

SCHEDULE U

<u>List of Works Proposed by AAI:</u>

LIST OF WORKS PROPOSED BY THE AUTHORITY

Sr. No.	Name of Work	A/A & E/S Amount (Rs. In Cr.)	Tentative cost (In Cr.)	Trigger date of Start	Trigger Date of Completion
1	Construction of Various Types of Residential Quarters for AAI Staff at CCSI Airport, Lucknow.	Under Process	15.00	Jan' 2020	Dec' 2021
2	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH:Furniture and counters		5.70	Apr' 2020	Sep'2020
3	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Modification and existing terminal	1383.00	3.00	Apr' 2021	Sep' 2021
4	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: CUPPS. CUTE & IT System		10.50	Jan' 2020	Sep' 2020
5	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Art work		7.85	Apr' 2020	Sep'2020

1	Provision of Permanent Concreet trench/ RCC hume pipe and chamber for GLF/ Power/ Data Cables routes in Operational Area at CCSI Airport Lucknow	1.00	1.00	31.03.2020	28.02.2021
2	Replacement of old 6- Passanger Lift at ATC Tower cum technical Block at CCSI Airport Lucknow	0.60	0.60	31.12.2019	31.04.2020
3	Provision of informatory & Mandatory Siganges in Operational area at CCSI Airport Lucknow	0.50	0.50	31.03.2020	30.05.2020
4	Provision of CAT-III B lighting system for Isolation Bay at CCSI Airport , Lucknow	1.00	1.00	31.12.2019	31.04.2020
5	Provision of CAT-I at 09 Runway at CCSI Airport Lucknow	0.50	0.50	31.03.2018	28.02.2021
6	Profile Correction of Runway Strip and Grading of Entire Operational Area at CCSI Airport, Lucknow. SH:- Engineering consultant for survey work and computation of qualities of cutting and filling for the grading work.		0.13	01.02.2019	30.04.2019
7	Development works for community center and provision of footpath i/c Development of children park in AAI residential colony at CCSI Airport, Lucknow.		0.75	01.04.2019	31.10.2019
8	Profile Correction of Runway Strip and Levelling and Grading of Entire Operational Area at CCSI Airport, Lucknow.		2.00	01.06.2019	31.10.2019

Indicative capital expenditure proposed to be undertaken by the Concessionaire:

A: Major Capital Works

S.No.	Name of Work	A/A & E/S Amount (Rs. In Cr.)	Tentative cost (In Cr.)	Trigger date of Start	Trigger Date of Completion	Remarks
1	Construction of Various Types of Residential Quarters for AAI Staff at CCSI Airport, Lucknow.	Under Process	15.00	Jan' 2020	Dec' 2021	Indicative
2	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Furniture and counters	1383.00	5.70	Apr' 2020	Sep'2020	Mandatory as it is a package of ongoing Terminal Work
3	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Modification and existing terminal		3.00	Apr' 2021	Sep' 2021	Mandatory as it is a package of ongoing Terminal Work
4	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: CUPPS, CUTE & IT System		10.50	Jan' 2020	Sep' 2020	Mandatory as it is a package of ongoing Terminal Work
5	Construction of New Integrated Passenger Terminal Building at C.C.S. International Airport, Lucknow. SH: Art work		7.85	Apr' 2020	Sep'2020	Mandatory as it is a package of ongoing Terminal Work

B. Minor Capital Works

1	Provision of Permanent Concreet trench/ RCC hume pipe and chamber for GLF/ Power/ Data Cables routes in Operational Area at CCSI Airport Lucknow	1.00	1.00	31.03.2020	28.02.2021	Mandatory Operational requirement
2	Replacement of old 6- Passanger Lift at ATC Tower cum technical Block at CCSI Airport Lucknow	0.60	0.60	31.12.2019	31.04.2020	Mandatory Operational requirement
3	Provision of informatory & Mandatory Siganges in Operational area at CCSI Airport Lucknow	0.50	0.50	31.03.2020	30.05.2020	Mandatory Operational requirement
4	Provision of CAT-III B lighting system for Isolation Bay at CCSI Airport , Lucknow	1.00	1.00	31.12.2019	31.04.2020	Mandatory Operational requirement
5	Provision of CAT-I at 09 Runway at CCSI Airport Lucknow	0.50	0.50	31.03.2018	28.02.2021	Mandatory Operational requirement
6	Profile Correction of Runway Strip and Grading of Entire Operational Area at CCSI Airport, Lucknow. SH:- Engineering consultant for survey work and computation of qualities of cutting and filling for the grading work.		0.13	01.02.2019	30.04.2019	Mandatory Operational requirement
7	Development works for community center and provision of footpath i/c Development of children park in AAI residential colony at CCSI Airport, Lucknow.		0.75	01.04.2019	31.10.2019	Indicative
8	Profile Correction of Runway Strip and Levelling and Grading of Entire Operational Area at CCSI Airport, Lucknow.		2.00	01.06.2019	31.10.2019	Mandatory Operational requirement

17.3.4. **Carved-out Assets and areas -** Annexure IV of Schedule A to the Concession Agreement provides details of the carved-out assets and areas.

Annex IV

(Schedule A)

(See Clause 10.1)

Carved Out Assets and Areas

It is clarified that the Site and Project Assets shall not include the following:

Sl No.	ASSET	AREA OF LAND IN SQ.M. (Approx.)
1.	**ATC TOWER**	8250 Sq.m.
2.	**CARGO TERMINAL**	11,000 Sq.m
3.	**STATE HANGAR / VIP TERMINAL & APRON**	46,735 Sq.m
4.	**METRO - (1899 SQM + 16269 SQM)**	18,168 Sq.m
5.	**INDIAN METROLOGICAL DEPARTMENT (IMD)**	19,600 Sq.m
6.	**ADMIN BLDG (EXISTING) – AAI & DGCA**	6056 Sq.m
7.	**ANY FUTURE LAND REQUIREMENT FOR CNS/ATM/STAFF QUARTERS**	35,525 Sq.m
8.	**TOTAL**	**145,334 Sq.m (35.91 acres)**

17.3.5. Clause 19.4.1. of the Concession Agreement relating to obligations of the Airport Operator Towards cargo facilities is reproduced below-

(a) *The Concessionaire shall upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good industry Practice.*

(b) *Notwithstanding anything to the contrary provided in this Clause 19.4 and Clause 23.5, it is clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A (i) the Concessionaire will not be responsible for operations, development, maintenance and management thereof, nor shall the Concessionaire be bound by the obligations set out elsewhere in this Clause 19.4; and (ii) AAICLAS shall be granted access to the airside by the Concessionaire free of cost.*

(c) *It is further clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A, there shall be no restriction on the upgradation and/ or development of Cargo Facilities by the Concessionaire, including on grounds of quantum of cargo volumes at the Airport, business potential or impact of such additional facilities on Cargo Facilities earmarked for AAICLAS.*

17.3.6. Clause 19.2. relating to Airport Operator's obligation towards Ground Handling Services is given below:

The Concessionaire shall provide or cause to be provided as per Applicable Laws and Good Industry Practice, at its own cost and expense, the infrastructure required for operation of the *ground handling services required at the Airport for and in respect of the Users, like aircrafts, passengers and cargo, which shall include ramp handling, traffic handling, aircraft handling, aircraft cleaning, loading and unloading **("Ground Handling Services").** Such infrastructure shall include luggage conveyor belts, computer terminals, information technology backbone and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.*

17.3.7. The Clause 19.3. of the Concession Agreement mentions the Airport Operator's obligations towards providing aircraft fueling services, which has been reproduced below:

> *"The Concessionaire shall provide, or cause to be provided, the infrastructure required for operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice."*

17.3.8. As per the Concession Agreement, the Estimated Deemed Initial RAB as on March 31, 2018, was determined to be ₹ 143 Crores, which was due and payable by the Concessionaire to AAI. The terms of the Concession Agreement also provide for the value of ₹ 143 Crores to be subject to reconciliation, True up and final determination by AERA. The extract of the relevant clauses from the Concession Agreement shall be read as under:

Clause 28.11.3 states that:

a) *It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment **("Deemed Initial RAB").***

b) *The estimated depreciated value of investments made by the Authority in the Aeronautical assets at the Airport as on March 31, 2018, is Rs. 143,00,00,000 (Rupees One Hundred and Forty Three Crore) **("Estimated Deemed Initial RAB").** It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

Clause 28.11.4 states that:

Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):

a) *reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or*

b) *increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.*

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.

Clause 28.11.5 states that:

Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.

a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.

b) The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc.

17.3.9. Clause 5.1.1 of the Concession Agreement which states *that "Subject to and on the terms and conditions of this Agreement, the Concessionaire shall, at its own cost and expense, procure finance for and undertake the operations, management and development of the Airport, in accordance with the provisions of the Applicable Permits, Applicable Laws, this Agreement and observe, fulfil, comply with and perform all its obligations set out in this Agreement or arising hereunder".*

17.3.10. The relevant clause (6.4.5) of the Concession Agreement relating to the Airport Operator's obligation regarding CWIP handed-over by AAI as on COD and as set forth in Schedule T, has been reproduced below-

"Notwithstanding anything to the contrary in this Clause 6.4, the Concessionaire shall be liable to pay to the Authority such amounts as may have been incurred by the Authority as on the COD in respect of the contracts relating to works-in-progress as have been set forth in Schedule T. Such amounts shall be intimated by the Authority with supporting documents and details within 30 (thirty) days of COD and shall be due and payable by the Concessionaire to the Authority within a period of 90 (ninety) days thereon.

The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress. The Concessionaire shall be responsible to incur any additional cost towards completion of such work-in-progress assets after COD.

Upon reimbursement by the Concessionaire to the Authority, of amounts as may have been incurred by the Authority as on the COD for such work-in-progress assets as provided for above, and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport.

The amounts reimbursed by the Concessionaire to the Authority and additional amounts incurred by the Concessionaire for completion of such work-in-progress assets shall be considered as investments made by the Concessionaire in creation of such assets for the purpose of determination of Aeronautical Charges by the Regulator. In the event that any part of the amounts reimbursed by the Concessionaire to the Authority pursuant to this Clause 6.4.5 are not considered for pass-through by the Regulator due to any act or omission on *the part of the Authority, the adjustment towards any differences in the amounts reimbursed by the Concessionaire to the Authority and the amounts considered for pass-through by the Regulator shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the determination of the Aeronautical Charges by the Regulator."*

17.3.11. The relevant clause 4.1.3. (h) of the Concession Agreement relating to the Airport Operator's obligation regarding Conditions Precedent required to be satisfied within 180 days of the agreement relating to works proposed by AAI and as set forth in Schedule U, has been reproduced below-

Except as may have been specifically otherwise provided in this Agreement, the Conditions Precedent required to be satisfied by the Concessionaire within a period of 180 (one hundred and eighty) days from the date of this Agreement shall be deemed to have been fulfilled, when the Concessionaire shall, subject to the satisfaction of the Authority, have –

(h) delivered to the Authority –

(a) a list of Construction works it proposes to undertake in the first 7 (seven) Concession years having due regard to the works:

a. Currently being implemented by the Authority; and

b. Proposed to be implemented by the Authority as on the date of signing the Agreement and (as set forth in Schedule U),

(b) the scheduled date for completion of such Construction works.

17.3.12. The relevant Clauses relating to the Independent Engineer's appointment, duties & functions and remuneration are reproduced below:

Clause 24.1 Appointment of lndependent Engineer

24.1.1 *The Authority (AAI) and the Concessionaire shall appoint a consulting engineering firm substantially in accordance with the selection criteria set forth in Schedule K, to be the independent consultant under this Agreement* ***("Independent Engineer").*** *The Independent Engineer shall be appointed in accordance with the provisions of Schedule K.*

The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment.

Clause 24.2. Duties and Functions

24.2.1. *The Independent Engineer shall discharge its duties and functions substantially in accordance with the terms of reference set forth in Schedule L.*

24.2.2. *The Independent Engineer shall submit regular periodic reports (at least once every month) to the Authority in respect of its duties and functions set forth in Schedule L.*

24.2.3. *A true copy of all communications sent by the Authority to the Independent Engineer and by the Independent Engineer to the Authority shall be sent forthwith by the Independent Engineer to the Concessionaire.*

24.2.4. *All communications required to be sent by the Independent Engineer to the Concessionaire shall be undertaken through the Authority.*

Clause 24.3 Remuneration

24.3.1 *The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator.*

17.3.13. The relevant Clauses relating to Role and functions of the Independent Engineer as stated in Schedule L of the Concession Agreement are reproduced below:

3. Role and functions of the Independent Engineer

3.1 The role and functions of the Independent Engineer shall include the following:

(a) review of the designs, drawings, and documents as set forth in Paragraph 4.

(b) review, inspection and monitoring of Construction Works as set forth in Paragraph 4.

(c) reviewing and witnessing the Tests on completion of construction and assisting the Authority in issuing Completion Certificate/ provisional certificate as set forth in Paragraph 4.

(d) review, inspection and monitoring of O&M as set forth in Paragraph 5.

(e) review, inspection and monitoring of Divestment Requirements as set forth in Paragraph 6.

(f) determining, as required under the Agreement, the costs of any works or services and/or their reasonableness.

(g) determining, as required under the Agreement, the period or any extension thereof, for performing any duty or obligation.

(h) assisting the Parties in resolution of Disputes as set forth in Paragraph 8.

(i) undertaking all other duties and functions in accordance with the Agreement; and

(j) assisting the Concessionaire in determining the Scheduled Completion Dates and Phase Milestones.

3.2 The Independent Engineer shall discharge its duties in a fair, impartial and efficient manner, consistent with the highest standards of professional integrity and Good Industry Practice.

17.3.14. The relevant Paras relating to Development of Airport and the development philosophy as stated in S.no. 1 to S.no. 3 of Schedule B to the Concession Agreement are reproduced below:

1. Development of the Airport

The planning approach to be used Io facilitate the achievement of a well-developed Airport should be to establish airside, terminal development and other facility requirements on the basis of forecasted future traffic for various Phases. Facility requirements should be the outcome of the *application of technical and service level standards to the relevant forecast data throughout the planning period to ensure that sufficient facilities are available to accommodate the forecast traffic volumes from the COD of the Airport till the end of the Concession Period.*

The most important systems that affect overall airport capacity and level of service to users are the Runway/ taxiway system and the passenger Terminal Building (and the domestic and international split), as well as the number of apron stands and contact gales. The development of the Airport in Phases shall be as per provisions mentioned in Schedule A.

In addition, regular investments are needed to periodically maintain and upgrade the facilities, replace equipment and meet other requirements in order to ensure the Airport infrastructure caters to the projected traffic meeting the service level standards prescribed in this Agreement.

*2. **Development Philosophy***

The purpose of any planning effort is to determine the facilities required to support a forecast demand, with the near-term planning being used as means of identifying the initial development required. However, it is also imperative the planning efforts do not initiate development that precludes or significantly complicates the ability to develop latter stages of the Airport. Additionally, the planning effort must result in a scheme that remains flexible while also definitely establishing a coordinated plan for the incremental growth of specific elements of the Airport.

Sustainability

Environmental conservation is an important element of consideration for all work proposed for the Site. The Master Plan shall consider this from various lenses, considering overall sire sustainability with respect to how the project is situated on the site, how it impacts the area in and around the Site boundaries, for example through transportation to and lighting of the Site.

***Water**: How is water demand managed, and how is water treated on the sile?*

Sustainable site-wide water strategies must first promote demand reduction, through management of water demand for building use, irrigation, and fire safety. Building demands should be managed by provision of water efficient fixtures, namely sinks aid toilets. Irrigation requirements should be minimized by use of native species thar are drought tolerant. strategies should be pursued that promote the collection of greywater and stormwater for non-potable uses, including irrigation and aircraft washing.

***Energy**: How is energy provided on or delivered to the site in sustainable ways, and how efficiently do building systems that require energy to operate?*

The ultimate EPI (Energy performance Index) of the airport shall be less than the industry average as amended time to time.

A large part of the energy required to operate the conveyance systems, equipment, special systems buildings on site is required for the (such as baggage handling), HVAC/lighting. In particular HVAC and lighting loads have the potential to be decreased by the use of solar shading (through use of sunshades, for instance), and by daylighting. These strategies should be implemented in each of the ancillary buildings, as well as the passenger terminal. It is expected that most energy efficient Air conditioning system with best Coefficient of Performance associated with modem control techniques and energy efficient Lighting shall be used.

***Materials/resources**: How is waste managed on the Site, both during construction and in the course of daily operation, and are new materials selected and installed in sustainable ways?*

Materials specified for use on construction of the Site works, passenger terminal building and ancillary structures should be: low-toxicity, durable, low-maintenance, and use recycled content (to the largest extent possible). Where regional products and materials are available that meet the performance criteria outlined, these products should be considered for use.

***Waste Management**: How is waste managed on the Site?*

A waste management strategy should be developed that minimizes construction waste, which in tum will reduce the amount of transportation energy expended to move materials to and waste from the Site. Once the facilities are complete, a strategy should be developed for limiting landfill waste generated by workers and passengers in the course of daily operation, tough promotion of recycling and composting of organic waste if possible.

***Indoor Environmental Quality**: Are building systems being used to maximize occupant access to clean air, and daylight; are acoustical concerns mitigated?*

All buildings will be mechanically ventilated and selection of low-VOC materials will encourage high quality of indoor area. Special glazing and other acoustical materials should be used io help attenuate the impact of outdoor aircraft and vehicle noises at building interiors; similar measures should be taken to control indoor noise generated by passengers and work activity.

The following summarizes minimum site sustainability goals and targets.

- *provide power for at least 25% (twenty five percent) of street and parking lot lights through solar.*

- *provide rainwater harvesting of at least 30% (thirty percent) of all the storm waler runoff generated on Site. Such water may be used to recharge the aquifer or as irrigation water.*

- *Use solar energy or other forms of recyclable energy for utility support buildings i.e., methane gas for Power generation.*

- *Reuse of all treated sewage water as either chiller makeup water or irrigation water, and*

- *Salvage as many existing trees that are on Site and/ or relocate such for use in the commercial development areas.*

*3. **Airport***

3.1 Development of Airport shall include:

(i) construction and Procurement of various assets as described in this Schedule B and listed in Annex I to this Schedule B, including, as may be required, runways, taxiways, apron, aircraft parking bays, air traffic control tower, Cargo Facilities, Parking, flight kitchens, MRO facilities, warehousing facilities, airline offices, administrative office associated facilities;
(ii) construction and procurement of the Terminal Building and facilities; and
(iii) construction of the required approach roads.

3.2 The Airport shall be constructed by the Concessionaire in conformity with the Master plan and the Specifications and Standards as set forth in Schedule C.

17.3.15. The relevant portion of Annex 1 to Schedule B of the Concession Agreement relating to 'Description of Assets / Project facilities' is reproduced below:

Annex I

(Schedule B)

DESCRIPTION OF ASSETS / PROJECT FACILITIES

The objective of this Schedule is to provide the broad description and requirements of various Project Facilities to be provided at Airport. The Concessionaire shall operate, manage and develop Project Facilities in accordance with the provisions of this Agreement.

I. Assets:

a. Aerodrome control services

b. Airfield

c. Airfield Ground lighting

d. Runways

e. Apron and Road Lighting

f. Taxiways including Rapid Exit Taxiways

g. Aircraft rescue and firefighting (ARFF)

h. Airside and landside access roads and forecourts including traffic signals, signage and monitoring

i. Security Check Points

j. Common hydrant infrastructure for aircraft fuelling services by authorised providers

k. Apron area

l. Apron control and allocation of aircraft stands

m. Manoeuvring Areas

n. Airfield Signage and Airfield Markings

p. Cargo Terminal

q. Into the Plane services for Aircraft Refuelling

r. Airport Operations Control Center

s. Associated facilities to be constructed and operated on the Site such as sewage collection and recycling / water treatment / storm water planning

t. Ground Service Equipment (GSE) Maintenance Building and parking area

u. General aviation services (other than those used for commercial air transport services ferrying passengers or cargo or a combination of both)

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v. Hangars

w. Flight Catering Services

x. Vehicle parking

y. Airport Maintenance Building (MRO)

z. Airport Maintenance Building Hangar (MRO Hangar) aa. Police Station and Customs Building

The capacity of assets will be as per the perspective plan, as updated by the Concessionaire as part of the Master Plan in compliance with ICAO Documents and Annexes, DGCA Civil Aviation Requirements and Good Industry Practice.

2. Description of Terminal Building

The guiding principles for planning and design of the Terminal Building are provided below. The Concessionaire shall develop an integrated terminal building, which is efficiently planned, flexible for phase-wise development, sustainable and economical.

Efficiency

The organization of the terminal should be straightforward and efficient with clear way finding. Passenger and baggage circulation should be organized so that departing and arriving passengers as well as domestic and international passengers do not mingle at any point on the airside of the building. The terminal building show allow for direct and efficient means of passenger and baggage flow for all passengers arriving and departing at the airport.

The distribution of domestic and international gates should deally be organized to allow swing capabilities and maintain equidistant travel path from the terminal processing area. The terminal building should have integrated landscaping.

Flexibility

The organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion. The terminal processor should allow for phase-wise development of key functions such as baggage claim halls and processing areas.

Sustainability

Sustainable strategies should be integrated into the planning and architecture of the terminal. Renewable energy production, such as, solar panels should be explored. Landscaping along with green strategies, such as rain water harvesting should be employed. It should have minimum GRIHA -4 rating.

Economy

The new integrated terminal should be constructed using cost effective and environmental friendly technology. It should employ the use of local materials and resources.

Facilities

The Passenger Terminal Building must incorporate mandatorily the following facilities:

a. Arrivals concourses and meeting areas

b. In Line minimum CT X-Ray based Baggage systems including outbound and reclaim

c. Departure concourse with conventional and self-service check-in desks with Common User Passenger Processing System (CUPPS) compatible systems and Common User Self Service (CUSS).

d. Check-in concourses and Self Baggage Drop System.

e. Cleaning, heating, lighting and air conditioning public areas

f. Customs and immigration halls

g. Exclusion Room

h. Emergency services

i. Facilities for the disabled and other special needs people

j. Fire service

k. Flight information and public-address systems

l. Foul and surface water drainage

m. Guidance systems and marshalling

n. Information desks

o. Inter-terminal transit systems

p. Lifts, escalators and passenger conveyors

q. Loading bridges

r. Lost property

s. Passenger and hand baggage search

t. Policing and general security, including CCTC systems and related security equipment

u. Prayer Rooms

v. Signage

w. Toilets and nursing mother's rooms

x. Waste and refuse treatment and disposal

y. X-Ray service for carry on and checked-in luggage

z. VIP / special lounges / ceremonial lounge / Martyrs platform.

aa. Airline lounges

bb. Refreshment facilities at the Terminal Building;

aa. Facilities for tour operators and travel agents;

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bb. Facilities for hiring of taxies and transportation;

cc. Banks and foreign exchange facilities;

dd. Public access telephones;

ee. Tree plantation and landscaping

ff. Porter service

gg. Postal Services

hh. Airport offices

nishes and other layout elements of the terminal building shall include, at a minimum:

i. Air conditioning throughout appropriate areas in the terminal building;

ii. Comfort rooms with optimal layout through the terminal and finishes that emphasize use of water saving devices, etc.

iii. Escalators with optimal layout through the terminal;

iv. Elevators with optimal layout through the terminal;

v. Public seating areas with appropriate capacity;

vi. Public flight information display system with screens and flat panel boards in sufficient numbers throughout the Passenger Terminals; and

vii. Signage which are informational, directional and emergency related.

The airport ICT system should comprise:

i. Data communications networks including wireless;

ii. Airport information management systems, including Airport Operational Data Base (AODB);

iii. Baggage reconciliation systems;

iv. Airport and airline systems, with ability to integrate new Information and Communication Technologies (ICTs)

v. Information kiosks;

vi. Public address systems; and

vii. Close Circuit Television (CCTV) security system to monitor the Airport

viii. Automatic Tray Retrieval System

The Concessionaire shall provide and maintain a safe and efficient airport Baggage Handling System including:

i. In-Line Baggage Screening System providing 100% (one hundred percent) security screening of all hold baggage for all domestic and international operations, meeting minimum

requirements of ICAO Annex 17 SARPs and requirements of the relevant Government Instrumentality responsible for providing or overseeing security at the Airport, subject to space constraints, if any, in the terminal;

ii. Handling of check-in and arriving, transfer and outsized baggage;

iii. Baggage claim facilities; and

iv. Handling and storage of lost baggage.

It is clarified that, where an In-Line Baggage Screening System does not exist currently at the Airport, the Concessionaire shall be entitled but not obligated to provide such system in the existing Terminal Building. It is further clarified that, in the event of the construction of a new Terminal Building, an In-Line Baggage Screening System shall be provided for in respect thereto.

The capacity of the Terminal Building will be as per the perspective plan, as updated by the Concessionaire as part of the Master Plan in compliance with ICAO Documents and Annexes, DGCA Civil Aviation Requirements and Good Industry Practice.

3 Specifications and Standards

All assets (including Terminal Building(s)) shall be in conformity with the Specifications and Standards specified in Schedule C.

17.4 Annexure 4 – Details of the building/ civil structure used for ANS activities, which has been transferred to AO

(₹ Crores)

Asset No.	Asset description	Capitalized on	Asset value as on November 1, 2020
50010084	Car shed at technical block	8-Oct-14	0.10
50010350	ILS CAT - III B civil works	30-Nov-15	0.06
50010460	ASSR - MSSR civil works - Consultancy	9-Aug-16	0.01
50010800	ASR/MSSR Building	20-Dec-17	2.65
90037768	SUB STATION FOR ASR-MSSR (Electrical Work)	20-Dec-17	1.48
Total			**4.30**

17.5 Annexure 5 – Project wise details of Capital expenditure submitted by the AO in the revised MYTP as on January 10, 2022

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA)	Total CAPEX (incl. FA)
A.	**Projects initiated in Pre-COD Period and mandated to be executed in Third Control Period**				
A1.	**Runways, Taxiway & Aprons**				
	Apron Work: Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways	2021-22	60.36		60.36
	Runway Recarpeting done by AAI in Feb 2019	2021-22	35.58		35.58
	Apron Work: Providing of CAT-III B Lighting	2022-23	4.52		4.52
	Apron Work: Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways	2022-23	5.97		5.97
	Financing allowance		-	5.44	5.44
	Total – Runways, Taxiways & Apron		**106.43**	**5.44**	**111.87**
A2.	**Terminal Building**				
	Construction of New Integrated Terminal Building T3	2023-24	1554.67		1554.67
		2024-25	480.44		480.44
		2025-26	1.90		1.90
	Financing allowance		**-**	349.63	349.63
	Total – Terminal Building T3		**2037.01**	**462.74**	**2386.64**
A3.	**Other Services**				
	Interim Cargo facility	2021-22	3.40	-	3.40
		2022-23	0.82		0.82
	Financing allowance		-	0.14	0.14
	Total – Other Services		**4.22**	**0.14**	**4.36**
A5.	**Plant and Machinery**				
	Shifting of CCR System, Provision of 33 KV Service Connection, Provision of HT Panel at Terminal-2 Substation - For Construction of New Integrated Terminal Building	2022-23	34.67		35.51
	Construction of Drain in operational & Non-Operational area i/c survey work at CCSI Airport Lucknow.	2022-23	108.15		110.76
	Financing allowance		-	3.45	3.45
	Total – Plant and Machinery		**142.82**	**3.44**	**146.26**
A6.	**Other Associated Works**				
	Construction of New Sub Fire Station (CAT-IV) and (Cat IX), Emergency Medical Centre and E&M workshop	2021-22	24.12		24.12

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA)	Total CAPEX (incl. FA)
	Elevated Road associated with Terminal 3	2023-24	234.66		234.66
		2024-25	1.63		1.63
	Expansion of existing isolation bay : SH Civil works	2023-24	16.75		16.75
	Widening of perimeter road at C.C.S.I. Airport, Lucknow	2023-24	4.64		4.64
	Construction of Property wall around AAI land at C.C.S.I. Airport, Lucknow (Deposit work to UPRNNL)	2023-24	4.77		4.77
	Financing Allowance		-	16.93	16.93
	Total – Other Associated Works		**286.57**	**16.93**	**312.70**
A7.	**Software**	2021-22	0.25	**-**	0.25
A8.	**Furniture & fixtures**	2021-22	0.43	**-**	0.43
A9.	**Vehicles**	2021-22	0.20	**-**	0.20
Total Aero CAPEX initiated in the Pre-COD Period and mandated to be executed in the Third Control Period (A)			**2577.93**	**384.79**	**2962.71**
B. New Capital expenditure projected for the Third Control Period					
B1.	**Runways, Taxiway & Aprons**				
	Apron and Taxiway related to T3, Cargo, West Side and East Side	2022-23	106.66	1.20	107.86
		2024-25	66.12	1.81	67.93
	GSE Staging - East & West side (Rigid Pavement)	2022-23	26.02	0.71	26.74
	CBR Value of Basic Strip	2022-23	25.00	0.28	25.28
		2023-24	25.00	3.12	28.12
	Enabling works	2022-23	0.22	0.00	0.22
		2024-25	14.53	0.40	14.92
	Miscellaneous works	2021-22	2.48	0.22	2.70
		2022-23	15.30	0.17	15.47
		2024-25	6.89	0.19	7.08
	Total – Runways, Taxiways & Apron		**288.22**	**8.10**	**296.32**
B2.	**Terminal Building**				
	Various terminal improvement works	2021-22	7.04	-	7.04
	Total – Terminal Building		**7.04**	**-**	**7.04**
B3.	**Other Services (Cargo facility and Fuel farm)**				
	New Integrated Cargo facility	2022-23	0.00	0.65	0.65
		2023-24	22.03	0.65	22.68
	Cargo equipment	2023-24	4.76	0.14	4.90
	Purchase of assets of existing Oil Marketing Companies (OMCs)	2022-23	15.60	0.00	15.60

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA)	Total CAPEX (incl. FA)
	New Greenfield facility	2022-23	0.00	2.96	2.96
		2023-24	100.78	2.96	103.74
	Total – Other Services		**143.17**	**7.36**	**150.54**
B4.	**Security Equipment**				
	Crash Fire Tender	2024-25	17.08	-	17.08
		2025-26	8.54	-	8.54
	PIDS with CCTV Camera	2023-24	9.49	0.04	9.53
,		2025-26	0.95	0.00	0.95
	BDDS Equipment's (Set)	2022-23	8.54	0.10	8.64
	Body Scanner	2023-24	28.46	0.13	28.58
	Miscellaneous equipment	2021-22	3.33	0.00	3.33
		2022-23	7.63	0.08	7.71
		2023-24	2.81	0.01	2.82
		2024-25	0.72	0.00	0.72
		2025-26	1.29	0.00	1.29
	Total – Security Equipment		**98.31**	**0.37**	**98.68**
B5.	**Plant and Machinery**				
	Triturator	2024-25	7.80	0.22	8.02
	Passenger Baggage trolleys	2023-24	3.79	0.22	4.01
	Runway sweeping machine	2024-25	1.90	0.05	1.95
	Disabled aircraft removal kit.	2025-26	2.85	0.07	2.91
	Rubber removal Machine	2022-23	4.74	0.11	4.86
	RESA CBR value	2022-23	9.49	0.23	9.71
	Widening of Perimeter road	2022-23	6.17	0.15	6.31
	Cable duct for AGL cables	2022-23	3.79	0.09	3.89
		2022-23	11.38	0.27	11.66
	Service corridor between road and Boundary wall	2022-23	6.64	0.16	6.80
		2022-23	8.54	0.21	8.74
	LED type AGL lights	2022-23	1.90	0.05	1.94
		2023-24	1.90	0.11	2.01
		2024-25	1.90	0.05	1.95
		2025-26	1.90	0.04	1.94
	Taken out the all boxes from basic strips	2022-23	2.85	0.07	2.91
		2023-24	1.90	0.11	2.01
	Miscellaneous items	2021-22	10.56	5.25	15.81
		2022-23	23.70	0.57	24.27
		2023-24	7.91	0.46	8.37
		2024-25	6.54	0.19	6.72
		2025-26	0.47	0.01	0.49
	Total – Plant & Machinery		**128.60**	**8.69**	**137.29**
B6.	**Roads**	2023-24	4.96	0.41	5.37
	Transportation Management	2021-22		1.09	1.09
	Roads	2022-23	34.48	4.50	38.97
		2023-24	47.92	3.98	51.90
		2024-25		5.19	5.19
		2025-26	132.45	4.08	136.53

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance (FA)	Total CAPEX (incl. FA)
		2023-24	1.00	0.08	1.09
	Miscellaneous	2025-26	1.21	0.04	1.25
		2023-24	4.96	0.41	5.37
	Total – Roads		**222.02**	**19.38**	**241.39**
B7.	**Boundary walls**				
	Demolition of existing boundary wall	2021-22	0.00	0.08	0.08
		2022-23	1.19	0.12	1.31
		2024-25	0.15	0.64	0.79
	Airport Boundary Wall	2021-22	0.00	0.65	0.65
		2022-23	9.98	0.97	10.94
	Landside Boundary Wall / Landside Airport Compound Wall	2023-24	15.38	1.11	16.48
		2025-26	16.27	0.50	16.77
	Others	2021-22	0.00	0.43	0.43
		2022-23	6.53	0.63	7.16
	Total – Boundary walls		**49.49**	**5.11**	**54.60**
B8.	**Information Technology (IT)**				
	Upgradation of IT system	2022-23	1.52	0.00	1.52
		2023-24	2.28	0.00	2.28
		2024-25	2.28	0.00	2.28
		2025-26	2.28	0.00	2.28
	Other IT works	2021-22	3.84	0.00	3.84
	Total – Information Technology		**12.19**	**0.00**	**12.19**
B9.	**Software and Vehicles**				
	Software	2021-22	0.06	0.00	0.06
	Vehicles	2021-22	0.10	0.00	0.10
	Total – software & Vehicles		**0.76**	**0.00**	**0.76**
B10.	**Other–Associated Works**				
	New Airside Gates - 2 Nos	2022-23	1.93	28.12	30.05
		2024-25	2.48	0.10	2.58
	Miscellaneous works	2021-22	2.10	0.80	2.89
		2023-24	25.76	1.67	27.43
		2024-25	2.48	0.10	2.57
		2025-26	3.50	0.11	3.61
	Development Of Rain Water Harvesting Pond	2024-25	6.67	0.26	6.93
	Total – Other Associated Works		**44.91**	**31.15**	**76.06**
Total Project Cost of New Capital Expenditure Projects (B)			**994.10**	**80.16**	**1,074.26**
GRAND TOTAL (A+B)			**3,572.03**	**464.95**	**4036.98**

18. APPENDICES

Appendix I - Study on Allocation of assets between Aeronautical and Non-Aeronautical Assets

Appendix II - Study on efficient Operation and Maintenance Expenses

Appendix III – Brief Note on independent study on allocation of Corporate costs submitted by the Airport Operator