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F. No. AERA/20010/MYTP/AAI-Bhubaneswar/CP-II/2023-28

परामर्श पत्र संख्या 22/ 2023-24/
Consultation Paper No. 22/ 2023-24



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

भुवनेश्वर अंतरराष्ट्रीय हवाईअड्डे (बीबीआई) के संबंध में द्वितीय नियंत्रण अवधि
(01.04.2023 -31.03.2028) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFF FOR
BHUBANESWAR INTERNATIONAL AIRPORT (BBI)
FOR THE SECOND CONTROL PERIOD
(01.04.2023 - 31.03.2028)

जारी करने की तारीख/ Date of issue: 05.01.2024

ऐरा भवन /AERA Building
प्रशासनिक कॉम्प्लेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली /New Delhi – 110001

STAKEHOLDERS' COMMENTS

Bhubaneswar International Airport is a Major Airport as per AERA Act, 2008 read with AERA Amendment Act, 2019 and 2021. It had passenger throughput of about 3.67 MPPA in the FY 2019-20 (being the pre-pandemic year). The Airport witnessed a steady recovery in the passenger traffic from FY 2021-22, in the aftermath of COVID-19 pandemic and has achieved 3.62 MPPA in FY 2022-23.

The Authority after considering the entire information currently available, the views of the Airport Operator, industry bodies such as IATA, ACI and other Expert Agencies on air traffic, has done the necessary adjustments in traffic and other regulatory building blocks on account of the expected changes and uncertainties in the prevailing business scenario.

For this Consultation Paper, the Authority has considered the audited financial results (being the audited Trial Balance for Bhubaneswar International Airport) for all the 5 tariff years of the First Control Period (FY 2019- FY 2023) and projections for the Second Control Period (FY 2024 to FY 2028).

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) Authority's analysis and observations on the Multi Year Tariff Proposal (MYTP) submitted by the Airport Operator.

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. 22/2023-24 dated 05.01.2024 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, satish.kr@aera.gov.in, copy to: secretary@aera.gov.in

Stakeholders' Consultation Meeting:	16.01.2024
Last Date for submission of comments:	05.02.2024
Last Date for submission of counter comments:	15.02.2024

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
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
A/A & E/S	Administrative Approval and Expenditure Sanction
AVDGS	Advanced Visual Docking Guidance System
AERA/ The Authority	Airports Economic Regulatory Authority of India
ANS	Air Navigation Services
ARR	Aggregate Revenue Requirement
ARFF	Aircraft Rescue and Fire Fighting
ATM	Aircraft Traffic Movement
AOCC	Airports Operations Control Centre
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad.
BIA	Bhubaneswar International Airport
BIAL	Bangalore International Airport Limited
BPCL	Bharat Petroleum Corporation Limited
BSF	Border Security Force
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CASO	Cordon And Search Operation
CCEA	Cabinet Committee on Economic Affairs
CFT	Crash Fire Tender
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CRPF	Central Reserve Police Force
CSR	Corporate Social Responsibility
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
DISHA	Driving Improvements in Service and Hospitality
DPR	Detailed Project Report
DFMD	Door Frame Metal Detector
EPC	Engineering, Procurement and Construction
ESI	Employees' State Insurance
ETD	Electronic Trace Detector
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GST	Goods and Services Tax
HPCL	Hindustan Petroleum Corporation Limited

Abbreviation	Full Form
IAF	Indian Air Force
IDC	Interest During Construction
IOCL	Indian Oil Corporation Limited
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
NLJD	Non-Linear Junction Detector
PBB	Passenger Boarding Bridge
PCN	Pavement Classification Number
PF	Provident Fund
PIB	Public Investment Board
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RCC	Reinforced Cement Concrete
RHQ	Regional Headquarters
SITC	Supply, Installation, Testing & Commissioning
SCCTV	Secure Closed-Circuit Television
Sq.m.	Square Metre
UDF	User Development Fees
YTD	Year to Date
YPP	Yield per Passenger

1 INTRODUCTION

1.1 Background

- 1.1.1 Biju Patnaik International Airport ('Bhubaneswar International Airport' or 'BIA'), operated by Airports Authority of India, is currently the 17th busiest Airport¹ in India by passengers handled and 14th busiest Airport¹ by air traffic movements. The Airport had received international airport status in October 2013.
- 1.1.2 The total land area of BIA is 854.39 acres. Out of this, the total area of the integrated Terminal Building is 31,737 Sq.m, which handles both domestic and international operations. The Airport has the capacity to handle 550 passengers (domestic and international) at Arrival and 550 passengers (domestic and international) at Departure during peak hours. The length of the Runway is 2,744 meters. The Airport has ten taxi tracks and three apron bays.
- 1.1.3 Bhubaneswar International Airport was declared as a "Major Airport" as per section 2(i) AERA Act, 2008, based on the actual passenger traffic throughput (i.e., in excess of one and half million) in FY 2015-16.
- 1.1.4 As per the AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, a "Major Airport" means any airport which has or is designated to have, passenger throughput in excess of 3.5 MPPA or any other airport or any other group of airports as the Central Government may by notification, specify as such. Bhubaneswar International Airport is a Major Airport, which has a designated capacity of 4.4 MPPA. The total passenger traffic for FY 2022-23 was 3.62 MPPA, out of which 99% comprised of domestic passengers.

The Authority determined tariff for the First Control Period (starting from FY 2018-19 to FY 2022-23) vide Order Number 46/ 2018-19 dated March 08, 2019.

1.2 Profile of Bhubaneswar International Airport

- 1.2.1 Technical and Terminal Building details of Bhubaneswar International Airport submitted by the Airport Operator are provided in the table below:

Table 1: Technical and Terminal Building details of BIA submitted by AAI

Particulars	Details
Total airport land area	854.39 acres
Total area of Terminal Building	31,737 sqm
Car Parking area	T1- 13,035 sqm T2- 5,023 sqm
Designated Capacity	4.4 MPPA
Runway orientation and length	Runway 14/32, length: 2,744 m
Apron	03 nos. stands
Taxiway	10 Nos.- A, B, C, D, E, F, G, J, K, L
Boarding/ Aero Bridges	04 nos.

1.3 Cargo, Ground Handling and Fuel Farm (CGF) Operations

Cargo

- 1.3.1 M/s AAI Cargo Logistics and Company Limited (AAICLAS) is a 100% subsidiary company of Airports

¹ As per data on top 50 busiest airports for FY 2022-23, published by AAI

Authority of India (AAI), who provide Cargo Handling Services at Bhubaneswar International Airport.

- 1.3.2 AERA vide Order No. 37/ 2020-21 dated September 1, 2020 determined the tariffs for AAI Cargo Logistics & Allied Service Company Limited for the First Control Period (FY 2019-20 to FY 2023-24). Further, the Authority vide Order No. 42/ 2022-23 dated March 23, 2023 had extended the levy of existing tariff up to September 30,2023 and vide Order No. 20/2023-24 dated September 27, 2023 had extended the levy of existing tariff up to March 31, 2024.

Ground Handling

- 1.3.3 Currently, there are two Service Providers viz., Indo Thai Bhubaneshwar Private Limited and AI Airport Services Limited, who provide Ground Handling services at BIA.

AERA vide Order No. 23/2019-20 dated February 14, 2020 determined tariff for Ground Handling Services for the AI Airport Services Ltd. for FY 2019-20 and FY 2020-21.

The Authority from time to time through various Orders had extended the applicability of existing tariff till March 31, 2023.

Further, the Authority vide Order No. 42/ 2022-23 dated March 23, 2023 had extended the levy of existing tariff up to September 30,2023 and vide Order No. 20/2023-24 dated September 27, 2023 had extended the levy of existing tariff up to March 31, 2024.

Fuel

- 1.3.4 Oil Companies such as M/s IOCL, M/s BPCL, M/s HPCL and Reliance Industries Limited are providing Aviation Fuel Facility at Bhubaneswar Airport.

Further, AAI has awarded contract of New Fuel facility System to M/s IMC Limited, Chennai, India and allotted a piece of unpaved land measuring 20,234.00 Sqm. for Development, Operations and Maintenance of ATF Management System under open access at Bhubaneswar Airport. The said agency will carry out subject services through special purpose vehicle (SPV) namely M/s AVR and had entered into an Agreement with AAI in June 2022.

- 1.3.5 Further, the Authority vide Order No. 26/ 2020-21 dated July 9, 2020 had revised the landing charges of BIA with effect from July 15, 2020, in lieu of abolition of Fuel Throughput charges.

2 TARIFF DETERMINATION OF BHUBANESWAR INTERNATIONAL AIRPORT

2.1 Introduction

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

- a) To determine the tariff for Aeronautical services taking into consideration –
 - i. the capital expenditure incurred and timely investment in the improvement of airport facilities.
 - ii. the service provided, its quality and other relevant factors
 - iii. the cost for improving efficiency.
 - iv. economic and viable operation of Major Airports
 - v. revenue received from services other than the Aeronautical services
 - vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and
 - vii. any other factor which may be relevant for the purpose of 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 authorized by it in this behalf.
- e) To call for any such information as may be necessary to determine the tariff for Aeronautical services; and
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act.

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

2.1.3 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.

Tariff determination for Air Navigation Services is carried out by the Ministry of Civil Aviation (MoCA) across all airports to maintain uniformity.

2.1.4 Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf are as

under:

- i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and
- ii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2016-17 dated 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.
- iv. 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.
- v. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

2.1.5 AAI had submitted Multi Year Tariff Proposal (MYTP) for the First Control Period from April 1, 2018, till March 31, 2023. AERA vide its Order No. 46/2018-19 dated March 08, 2019, had determined tariffs for Aeronautical services for Bhubaneswar International Airport for the First Control Period from April 1, 2018 to March 31, 2023.

Further, AERA vide Order No. 41/ 2022-23 dated March 22, 2023 had extended the levy of existing tariff for a further period of 6 months (i.e. up to September 30, 2023) and subsequently, vide Order No. 19/2023-24 dated September 20, 2023, had extended the levy of existing tariff for an additional period of 6 months ending up to March 31, 2024.

2.1.6 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. AAI has submitted its initial MYTP on May 17, 2023 for the Second Control Period commencing from FY 2023-24 to FY 2027-28 for BIA. Later, a revised MYTP was submitted by AAI to AERA on August 11, 2023. The MYTP document is available on the AERA's website. Further, the date wise chronology of events is given in Table 2 below.

2.1.7 The Authority had appointed an Independent Consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by AAI for the Second Control period. Accordingly, M/s R. Subramanian and Company LLP has assisted the Authority in examining the true up submission on AAI by comparing the each regulatory building block with the Tariff Order for the First Control period, examined the MYTP of AAI for the current Control Period, by verifying the data from various supporting documents submitted by AAI such as audited financials, Fixed Asset Register (FAR), documentary evidence of the process of approval of Capital expenses, Operation and Maintenance expenses, examining the building blocks in tariff determination and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.

The Authority obtained clarifications on the information shared by the AAI from time to time, to review the appropriateness of the classification of assets, the reasonableness of the proposed Capital Expenditure, Operation & Maintenance expenditure, for finalizing this Consultation Paper. The sequential timeline of the above events has been presented in the table below:

Table 2: MYTP Submission Timelines

Dates	Event
May 17, 2023	Initial MYTP Submission by AAI

Dates	Event
August 11, 2023	Revised MYTP submission by AAI
September 19, 2023	Clarifications sought on passenger capacity, CAPEX, Operation and Maintenance expenses, Non-aeronautical revenue etc. of BIA
October 27, 2023	Clarifications sought on CAPEX for true up and Current Control Period
November 13, 2023	Queries were floated regarding capitalisation of Terminal Building (T3) at Bhubaneswar International Airport.
November 17, 2023	Information on proposed Tariff Rate card requested from AAI
November 21, 2023	Virtual meeting convened by AERA along with its Consultant, with the Representatives of AAI for addressing the delay in the response for the queries raised by AERA's Consultant
December 11, 2023	Clarification obtained on debts obtained by AAI in the First Control Period, FRoR computation, CAPEX etc.

2.1.8 AAI has informed that accounts of AAI are audited by the Comptroller and Auditor General of India ('CAG') as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for the AAI as a whole and only trial balance is available for Bhubaneswar International Airport. The Authority has examined the audited trial balance (FY 2019 to FY 2023) submitted by AAI for determination of tariff.

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

2.2 Construct of the Consultation Paper

2.2.1 This Consultation Paper has been developed/ constructed in the following sequence of Chapters:

- i. The background of the Authority's tariff determination process is explained in this Chapter (Chapter 2) 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 First Control Period which is from FY 2018-19 to FY 2022-23. This is followed by the Authority's examination and proposals on the specific issues regarding the true up of the First Control Period.
- iii. Chapter 5 presents the submissions of AAI regarding Traffic Projections and the Authority's proposals on the same.
- iv. Chapter 6 includes the submissions of AAI regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical Capital Expenditure, Depreciation and RAB for the Second Control Period.
- v. Chapter 7-12 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return, Inflation, Operation and Maintenance Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals on each matter.
- vi. Chapter 13 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposals for the Second Control Period.
- vii. Chapter 14 presents the Aeronautical Revenue proposed by the Authority for Bhubaneswar International Airport for the Second 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 Second Control Period in the Consultation Paper.

- x. Chapter 17 contains Annexures:
- Annexure I: Annual Tariff proposal submitted by AAI for Bhubaneswar International Airport for the Second Control Period.
 - Annexure II: Annual Tariff proposed by the Authority for Consultation process.

3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR BHUBANESWAR INTERNATIONAL AIRPORT

3.1 Methodology

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

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

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

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

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

Where,

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

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

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

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

3.2 Control Period

3.2.1 In terms of Direction No. 5 issued on 28 February 2011, Control Period means "a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist". The First Control Period for Bhubaneswar International Airport commenced

from April 1, 2018 and the Second Control Period has commenced from April 1, 2023.

3.3 Revenues from Air Navigation Services (ANS) and Cargo

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

4 TRUE UP OF THE FIRST CONTROL PERIOD

4.1 AAI's submission on True up of the First Control Period for Bhubaneswar International Airport

4.1.1 AAI has submitted the shortfall of ₹ 455.42 Crores for Bhubaneswar International Airport for the First Control Period, as part of its MYTP submission for the Second Control Period:

Table 3: True up for First Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Total Revenue from Regulated Services (a)	48.88	103.24	51.77	63.69	108.40	375.98
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	9.65	12.33	4.67	5.08	9.35	41.08
Operating Expenditure (c)	81.32	99.73	75.98	75.46	81.44	413.93
Depreciation (d)	12.31	12.77	13.95	15.10	15.00	69.13
Total Expenditure (c) + (d) = (e)	93.63	112.51	89.93	90.56	96.44	483.07
Regulatory operating Profit (a) + (b) - (e) = (f)	(35.11)	3.06	(33.49)	(21.78)	21.31	(66.01)
Average RAB = (g)	109.14	116.34	120.17	127.89	172.89	
Return on Average RAB (g) *14% (h)	15.28	16.29	16.82	17.90	24.20	90.50
Return on Land (i)	-	-	-	-	-	-
Interest on Working Capital (j)	0.94	-	-	0.32	-	1.26
Tax @ 34.944% (FY18-19) & 25.17% w.e.f. FY 19-20 on (f) = (k)	-	-	-	-	-	-
(Excess)/Shortfall of True up Pre- Control Period (l)	106.17	-	-	-	-	106.17
ARR [(e)+(h)+(i)+(j)+(k)+(l)]-(b) = (m)	206.38	116.47	102.08	103.70	111.29	639.91
(Excess)/Shortfall (m-a)	157.50	13.23	50.31	40.00	2.89	263.94
Shortfall including Return @14%	303.25	22.34	74.54	51.99	3.30	455.42

4.2 Authority's examination of True up of the First Control Period

4.2.1 The decisions taken at the time of determination of tariff for Aeronautical services for the First Control Period vide Order No. 46/ 2018-19 dated March 08, 2019 have been reproduced below:

- **Decision No:3b – Traffic Forecast:** The Authority decides to true up the traffic volume (ATM and Passengers) on the basis of actual traffic in First Control Period while determining tariff for the Second Control Period.
- **Decision No. 4a – Allocation of assets between Aeronautical and Non-Aeronautical:** The Authority decides the allocation of gross block of assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 12.
- **Decision No. 5a – Initial RAB:** The Authority decides to consider the initial regulatory asset base for the first control period as INR 96.45 Crores in accordance with Table 13.
- **Decision No. 6a – CAPEX:** The Authority decides to adopt the capital expenditures in accordance with Table 18.

- **Decision No. 7b – Depreciation:** The Authority decides the depreciation amounts as per Table 26 for the 1st Control Period.
- **Decision No. 8a – RAB:** The Authority decides to consider average RAB for the 1st Control Period in respect of BBI Airport as per Table 29.
- **Decision No. 9a – FRoR:** The Authority decides to consider the FRoR at 14% for BBI Airport for the 1st control period.
- **Decision No. 10a – Non-aeronautical revenues:** The Authority decides to consider Non-aeronautical revenues for the 1st Control Period in accordance with Table 35.
- **Decision No. 11a – O&M expenses:** The Authority decides to consider O&M expenses as per Table 46.
- **Decision No. 12a – Taxation:** The Authority decides to consider the tax expense as per Table 51.

4.3 True up of Traffic

- 4.3.1 AAI has submitted Passenger Traffic and ATM for Bhubaneswar International Airport for the First Control Period which is as follows:

Table 4: AAI's submission for True up of traffic for the First Control Period for Bhubaneswar International Airport

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Passenger (In millions)					
Domestic	4.06	3.60	1.57	2.14	3.62
International	0.09	0.07	0.01	0.00	0.00
Total	4.16	3.67	1.57	2.14	3.62
ATM (In No's)					
Domestic	29,702	27,308	14,174	19,397	30,714
International	688	623	91	20	31
Total	30,390	27,931	14,265	19,417	30,745

Authority's examination and proposal regarding true up of traffic of the First Control Period:

- 4.3.2 The traffic approved by the Authority in the Tariff Order No. 46/ 2018-19 for the First Control Period is shown in Table 5.

Table 5: Passenger traffic and ATM approved by the Authority in the Tariff Order for First Control Period

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Passenger (In millions)					
Domestic	4.03	4.84	5.80	6.96	8.36
International	0.12	0.17	0.23	0.30	0.41
Total	4.15	5.00	6.03	7.26	8.77
ATM (In No's)					
Domestic	25,912	29,799	34,268	39,409	45,320

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Passenger (In millions)					
International	841	1,135	1,533	2,069	2,794
Total	26,753	30,934	35,801	41,478	48,113

4.3.3 The Authority has taken cognizance of the facts as detailed below regarding the variation in the passenger traffic and ATM for the First Control Period (actual traffic vis-à-vis the projections approved in the Tariff Order for the First Control Period):

- i. Cyclone Pheni had hit the Bhubaneswar city in May 2019, which has caused significant damage to the equipment at the Bhubaneswar International Airport, thereby affecting the operations of the Airport.
- ii. The adverse effects of the COVID-19 pandemic further amplified challenges in FY 2020-21. The pandemic, starting in December 2019, led to the cancellation of numerous chartered flights from January 2020 onwards, resulting in a noticeable decline in both domestic and international passenger traffic.
- iii. International Passenger traffic and ATM had significantly reduced during FY 2020-21 to FY 2022-23 due to withdrawal of the subsidy to foreign airlines by the State Government.

Further, the Authority observes that the above subsidy to Foreign Airlines had been reinstated by the State Government from FY 2023-24.

The Authority verified the actual Passenger traffic and ATM (as per Table 4) for the First Control Period based on the details available on AAI's website and noted no variances.

4.3.4 Based on the above analysis, the Authority proposes to consider the actual traffic submitted by AAI for the First Control Period, as shown in Table 4, in line with its decision no. 3b of the Tariff Order No. 46/2018-19 dated March 08, 2019, which states *"The Authority decides to true up the traffic volume (ATM and Passengers) on the basis of actual traffic in the First Control Period while determining tariff for the Second Control Period."*

4.4 True up of Capital Expenditure (CAPEX), Depreciation and RAB

4.4.1 The actual CAPEX submitted by AAI for true up of the First Control Period for Bhubaneswar International Airport is as follows:

Table 6: Capital additions for true up for the First Control Period submitted by AAI for Bhubaneswar International Airport

(₹ Crores)					
S. No	Asset category	CAPEX approved by AERA (1)	Actual CAPEX incurred (2)	Variance (2) – (1)	Financing Allowance (included in Actual CAPEX)
A. CAPEX incurred towards projects approved by AERA for First Control Period					
A1	Building- Terminal	512.5		(512.50)	
A2	Runways / taxiway / Aprons	139.23	68.80	(70.43)	14.03
A3	Electrical Installations- Non-Solar	283.08	14.44	(268.64)	-
A4	Electrical Installations- Solar	31.14	0	(31.14)	-
A5	Other Buildings	31.99	2.85	(29.14)	0.29
A6	Plant & Machinery	25.72	0.18	(25.54)	-

S. No	Asset category	CAPEX approved by AERA (1)	Actual CAPEX incurred (2)	Variance	Financing Allowance (included in Actual CAPEX)
				(2) – (1)	
A. CAPEX incurred towards projects approved by AERA for First Control Period					
A7	Roads, Bridges & Culverts	5.43		(5.43)	
A8	CFT/ Fire Fighting Equipment	4.03	4.03	-	-
A9	Vehicles	1.21	0	(1.21)	-
A10	Other Vehicles		0.77	0.77	
A11	Furniture & Fixtures-Trolley	0.61		(0.61)	-
A12	X Ray Baggage System		15.1	15.10	0.68
A13	Other Office Equipment	0.14		(0.14)	-
A14	Tools & Equipment	0.14	5.69	5.55	-
A15	Office Furniture	0.11	0.49	0.38	-
	Total Approved CAPEX (A)	1035.34	112.35	(922.98)	15.00
B. Unplanned/ Unapproved CAPEX incurred by BIA during First Control Period					
B1	Runways / taxiway / Aprons		20.65	20.65	
B2	Roads, Bridges & Culverts		4.38	4.38	0.61
B3	Building- Terminal		10.93	10.93	1.04
B4	Building Residential		3.11	3.11	
B5	Boundary Wall- Operational		0.72	0.72	
B6	Plant & Machinery		3.61	3.61	
B7	Tools & Equipment		15.74	15.74	
B8	Office Furniture		2.97	2.97	
B9	Other Vehicles		0.44	0.44	
B10	Electrical Installation- Non-Solar		5.69	5.69	
B11	Other Office Equipment		0.52	0.52	
B12	Furniture & Fixtures- OTHER THAN TROLLEY		0.02	0.02	
B13	Furniture & Fixtures- TROLLEY		0.55	0.55	
B14	X Ray Baggage System		0.82	0.82	
B15	CFT/ Fire Fighting Equipment		1.65	1.65	
B16	Computer & Peripheral: End User Devices		0.08	0.08	
B17	Computer Software		0.06	0.06	
B18	Computer & Peripheral: NETWORK & SERVER		0.15	0.15	
	Total Unapproved Capex (B)		72.09	72.09	1.65
	Total CAPEX incurred (A+B)	1035.34	184.44	(850.89)	16.65

4.4.2 The CAPEX approved by the Authority in the Tariff Order for the First Control Period was ₹ 1,035.34 Crores. Year- wise details of the CAPEX approved by the Authority have been provided as follows:

*Table 7: Capital expenditure approved in the Tariff Order for the First Control Period
(₹ Crores)*

S. No	Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
1	Building- Terminal	0.50	-	51.02	-	460.98	512.50
2	Runways / taxiway / Aprons	-	-	62.15	-	77.09	139.23
3	Electrical Installations- Non Solar	5.62	1.77	27.47	-	248.22	283.08
4	Electrical Installations- Solar	-	31.14	-	-	-	31.14
5	Other Buildings	31.99	-	-	-	-	31.99

S. No	Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
6	Plant & Machinery	25.72	-	-	-	-	25.72
7	Roads, Bridges & Culverts	5.43	-	-	-	-	5.43
8	CFT/ Fire Fighting Equipment	-	4.03	-	-	-	4.03
9	Vehicles	1.21	-	-	-	-	1.21
10	Furniture & Fixtures-Trolley	0.61	-	-	-	-	0.61
11	Other Office Equipment	0.14	-	-	-	-	0.14
12	Tools & Equipment	0.14	-	-	-	-	0.14
13	Office Furniture	0.11	-	-	-	-	0.11
	Total	71.47	36.94	140.64	-	786.29	1,035.34

4.4.3 The Authority notes a variance of ₹ 850.89 Crores (82%) between CAPEX approved in the Tariff Order for the First Control Period and that incurred by AAI for the First Control Period, which has been detailed asset-wise in Table 6.

4.4.4 AAI has submitted the following depreciation for the First Control Period for Bhubaneswar International Airport.

Table 8: Depreciation for the First Control Period submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.47	0.56	0.56	0.56	1.96	4.11
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	2.41	2.28	2.48	2.65	1.22	11.03
Building- Terminal	1.57	1.59	1.74	1.89	1.95	8.75
Building – Temporary	-	-	-	-	-	-
Building – Residential	0.25	0.25	0.29	0.32	0.33	1.43
Security Fencing – Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.66	0.41	0.43	0.33	0.33	2.16
Boundary Wall – Residential	0.55	0.48	0.48	0.48	0.48	2.46
Other Buildings-Unclassified	-	-	-	-	-	-
Computer & Peripherals: END USER DVICES	0.13	0.01	0.02	0.03	0.02	0.21
Intangible Assets- Software	0.01	0.01	0.01	0.01	0.01	0.05
Computer & Peripherals: NETWORK & SERVER	0.01	0.01	0.01	0.01	0.02	0.06
Plant & Machinery	0.57	0.64	0.66	0.67	0.73	3.27
Tools & Equipment	0.39	0.80	0.97	1.28	1.47	4.92
Office Furniture	0.09	0.19	0.35	0.49	0.50	1.62
Other Vehicles	0.32	0.09	0.14	0.16	0.18	0.89
Vehicle- Cars & Jeeps	-	-	-	-	-	-
Electrical Installations	3.84	4.15	4.42	4.58	3.87	20.87

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Solar power -Electrical Inst.	-	-	-	-	-	-
Other Office equipment	0.22	0.20	0.22	0.11	0.10	0.85
Furniture & Fixtures-OTHER THAN TROLLY	0.11	0.12	0.10	0.10	0.03	0.46
Furniture & Fixtures- TROLLY	0.15	0.18	0.18	0.09	-	0.60
X Ray Baggage System	0.22	0.28	0.35	0.81	1.27	2.93
CFT/Fire Fighting Equipment	0.34	0.53	0.53	0.53	0.53	2.45
TOTAL	12.31	12.77	13.95	15.10	15.00	69.13

Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the First Control Period:

- 4.4.5 The Authority analyzed the variances between the approved CAPEX (as per the Tariff Order for the First Control Period) and the actual CAPEX incurred for the First Control Period (refer Table 6) and notes that AAI has not implemented 89.15% of the approved CAPEX. The major items of variances have been presented asset-wise in the below paragraphs.

A. CAPEX incurred towards projects approved by AERA for First Control Period

A1 and A3: Terminal Building (T3):

The Authority had approved capital expenditure of ₹ 795.58 Crores (out of which 64.41% is of Civil works and 35.58% if of electrical works) towards Construction of Terminal Building in the Tariff Order for the First Control Period for Bhubaneswar International Airport. However, the Authority notes that AAI has not executed the above project, resulting in non-incurrence of CAPEX by AAI on account of the following reasons:

- i. AAI vide its letter to AERA dated 11 August 2023 had submitted that the Government of India was considering leasing out Bhubaneswar International Airport on PPP model basis, thereby, the major CAPEX pertaining to construction of Terminal Building (approved costs of ₹ 795.58 Crores) was not initiated by AAI. Later, MoCA vide letter dated December 15, 2021 had directed AAI to undertake the above-mentioned CAPEX towards construction of Terminal Building. However, at that time, due to the adverse impact of COVID 19 pandemic on the aviation sector, AAI had decided to re-estimate the traffic projections for BIA and therefore the project on construction of Terminal Building was put on hold.
- ii. AAI had awarded Project Management Consultancy (PMC) on February 15, 2019, however, the Environment clearance was awaited from Pollution Control Board, Odisha. Subsequently, AAI had prepared a Detailed Project Report (DPR) on Terminal Building (which was submitted to MoCA initially in December 2019 and subsequently, an updated report in December 2020) and based on the same, cost of the project had been enhanced from ₹ 795.58 Crores to approx. ₹ 1,200 Crores. The approval from PIB is awaited, post which the project is proposed to be undertaken by AAI in the current Control Period.

Subsequently, the Authority notes that AAI has shifted the construction of new Terminal Building (T3) to the Third Control Period (refer para 6.3.6 (A3) (ii)).

In the background of the above facts, the Authority notes that the Capital project on Construction of new Terminal Building at Bhubaneswar International Airport had been proposed in the First Control Period by AAI and the same has now been shifted to the Third

Control Period. In view of the above proposed CAPEX for the First Control Period, there had already been a substantial increase in the ARR, which had resulted in significant increase in the Aeronautical tariffs. The Authority feels that such a practise is not in the interest of Airport users as they start paying higher tariffs in anticipation of enhanced services at the airport against the proposed capital expenditure, which is eventually shifted to the Third Control period by the Airport Operator.

B. Unplanned/ Unapproved CAPEX incurred by Bhubaneswar International Airport during First Control Period

The Authority has sought clarification/ justification from AAI on the major items of unplanned/ unapproved CAPEX and the same have been detailed as follows:

A2 and B1: Runway/ Taxiway /Aprons: The Authority notes that ₹ 89.45 Crores (out of which planned CAPEX had been submitted by AAI as ₹68.80 Crores and unplanned CAPEX as ₹ 20.65) had been incurred by AAI towards widening & Strengthening of Perimeter road, Improvement of Drainage System, Engineering Construction services of Recarpeting of Runway, Parallel Taxi Track, Rapid Exit Taxiway and Apron for parking of Aircraft, etc. This project had been approved by AERA in the Tariff Order for the First Control Period for BIA. Further, the Authority observes that although ₹ 20.65 Crores has been submitted by AAI as unapproved, it pertains to the same project which was approved in the First Control Period. Therefore, the Authority proposes to consider the same for true up of the Capital expenditure of the First Control Period

B2: Roads, Bridges and Culverts: The Authority notes that CAPEX amounting to ₹ 4.38 Crores has been incurred towards the Extension of Box Culvert up to Runway Strip and Widening and Resurfacing of Roads of Residential Colony which was required for operational requirements. Further, the same had been approved in the Tariff Order for the First Control Period. Therefore, the Authority proposes to consider the same for the True up of First Control Period.

B3: Building Terminal: The Authority notes that AAI has claimed CAPEX amounting to ₹10.93 Crores (which includes ₹ 1 Cr. of Financing allowance). The actual CAPEX amounting ₹ 9.93 Crores was incurred towards the following:

- i. Extension of Ground Support Equipment (GSE) Area:** To accommodate the growing number of aircrafts, an additional Apron was constructed for parking 8 Code C aircraft, along with an extended GSE area to park ramp equipment. The Apron was planned to make contact bays to the new Terminal Building, T3. Although construction of T3 got postponed due to COVID-19 pandemic and privatization proposals (as detailed in earlier paragraphs), the increased aircraft movement during this period had necessitated the extension of the existing GSE area, resulting in incurrence of ₹ 1.53 crores. Based on the above factors, the Authority proposes to consider this CAPEX for true up of the First Control Period.
- ii. Rotunda Building & Fixed Finger:** Through the DISHA project, AAI identified congestion in the Remote Security Hold Area/Bus Lounge due to increased traffic. As part of the project, it was proposed to include two Passenger Boarding Bridges (PBBs) and also Rotunda Buildings and Fixed Fingers as necessary infrastructure for PBB. This had resulted in incurrence of ₹2.13 crore, as against ₹1.82cr approved in the Tariff Order of the First Control Period. As it was an operational requirement, needed to address the congestion issue and enhance airport services, the Authority considers the same to be reasonable.

iii. Canopy Civil Work: The Authority observes that there was absence of canopy/roofed areas connecting Terminal 1 (T1) to the Vehicle Parking/Lane, thereby resulting in passenger discomfort during inclement weather conditions. The above problem was identified as part of the DISHA project and AAI had proposed the construction of a "Tensile Fabric Canopy" in front of T1. The Authority finds the capital expenditure of ₹ 2.89 Crores incurred in this project as reasonable, as the same had been incurred to alleviate passenger inconvenience during heavy rain and sunny days and therefore, proposes to consider the same for true up of the First Control Period.

iv. Improvement of Terminal Building: The Authority notes CAPEX of ₹ 1.27 Crore had been incurred by AAI towards implementation of minor additions and modifications, which were suggested as part of the DISHA project. Additionally, various minor enhancements were carried out to elevate customer satisfaction and to improve accessibility for Divyang individuals within the Terminal Building. The Authority proposes to consider such CAPEX as reasonable, as it collectively aims to provide a more satisfactory experience for passengers.

The Authority further notes that an amount of ₹ 2.11 Crores was incurred by AAI towards Provision of Bird Chaser hut, Security Gate, extension of Substation Building B, and Extension of Existing CASO Office (for expansion of CISF at the airport for necessitating the expansion of existing office), which the Authority finds to be reasonable and therefore, proposes to consider for True up of First Control Period.

B4: Residential Building: The Authority notes that capital expenditure of ₹ 3.11 Crores has been incurred towards Residential Building and the same includes vertical extension of CISF Barracks amounting to ₹ 2.17 Crores, which is essential for Security purposes. Therefore, the Authority proposes to consider the same for true up of the Capital expenditure of the First Control Period.

A6 and B6: Plant and Machinery: The Authority notes that amount of ₹ 3.78 Crores (which includes ₹3.61 Crores of Unplanned and ₹ 0.18 Crores of Planned CAPEX) was incurred towards Installation of Inline X Ray Baggage System, Water Depth Measuring Gauge, BDDS Equipment, CCTV Cameras, Fire Proximity Suits, etc. The Authority further analysed that the CAPEX pertains to essential, safety requirements at the Airport and therefore, proposes to consider the same for True up of the First Control Period.

A14 and B7: Tools & Equipment: The Authority notes that the capital expenditure incurred for tools and equipment includes the following:

- Threat Containment Vessel amounting to ₹ 8.69 Crores. As per AVSEC circular 13/2017, Threat Containment Vessel needs to be provided at all Sensitive and Hypersensitive airports. As Bhubaneswar is a Sensitive airport, the same had been incurred for ₹8.69 Cr., which the Authority considers to be reasonable as compared with other similar airports.
- Passenger Boarding Bridges and AVDGS amounting to ₹ 5.28 Crores.
- CCTV cameras amounting to ₹ 2.96 Crores.
- CUTE & CUSS counters, Scanners and keyboards at a cost of ₹ 1.25 Crores.
- SITC of 124 ETD and DFMD, BMW Heavy Duty grass cutting machine, Cisco Modular Router, Human Life Detectors amounting to ₹ 2.63 Crores.

As the above capital expenditure have been incurred for Security and/or operational

requirements, the Authority considers the same to be justifiable.

A15 and B8: Office Furniture: The Authority notes that the Office Furniture amounting to ₹ 3.46 Crores includes LED Sign boards, LG TV, “May I help you” Counters, safety torch, Metal Shelving Racks, Chairs, Desktops, Printers, etc. for the usage of Employees. The Authority considers the assets necessary for the office usage and proposes to consider the same for the True up of First Control Period.

A3 and B10: Electrical Installation – Non Solar Power : The Authority notes that the electrical installations amounting to ₹ 20.13 Crores (out of which ₹ 14.44 Crores pertains to planned CAPEX and ₹ 5.69 Crores is Unplanned CAPEX) had been incurred towards the following:

- The Wind Direction Indicator, Airfield Ground Lighting System, replacement of apron flood lights, led light fittings and Provision of AC units and Flag Mast, etc amounting to ₹ 3.11 Crores
- The shifting and rerouting of feeder power cables, 3KVA online ups with 30 m backup, electrical work of borewell, Passenger Boarding Bridges Relaying/ Re-routing amounts to ₹ 3.49 Crores
- The amount of ₹ 3.57 Crores towards the electrical work for Rotunda Building, Server room of T2, canopy and LT Panel for CCR Room, Trolley Mounted 62.5 KVA Silent DG Set.
- SITC of UV disinfection system for AC system, High mast for Isolation Bay, purchase of battery, 33 KV of substation allied works amounting to ₹ 9.95 Crores

The Authority notes that the above CAPEX had been incurred for operational requirements at the Airport and therefore proposes to consider the total electrical works amounting to ₹ 20.12 Crores as the part of True up of First Control Period.

A12 and B14: X-Ray Baggage System: The Authority notes that the capital expenditure of ₹ 13.13 Crores had been incurred by AAI at Bhubaneswar International Airport, towards purchase and installation of Inline X-Ray Baggage System, so as to reduce the congestion in the Check-in area and improve the efficiency of Baggage Handling at the Departure area. Based on the above factors, the Authority considers the capital expenditure to be justifiable.

Other minor projects: The Authority observes that there are minor projects that were undertaken by AAI with respect to improvement of boundary wall, trolley, vehicles, Computer software, network and servers, which the Authority finds to be reasonable and proposes to consider for true up of the First Control Period.

Upon analysis of each of the above capital expenditure, the Authority is of the view that most of these expenses were incurred at Bhubaneswar International Airport either for Passenger facilitation or Security purposes to improve operational needs and mitigate threats. Therefore, the Authority proposes to consider the same for true up of the capital expenditure of the First Control Period.

4.4.6 The Authority notes that the AO has apportioned the common assets within the Terminal Building in the ratio of 92.47:7.53. The Authority has considered the ratio of 92:8 for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical), in line with the optimum Non-aeronautical area allocation of 8%-12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) and that approved by AERA for other similar airports.

4.4.7 The Authority notes that Bhubaneswar International Airport has claimed Financing allowance of ₹ 16.65 Crores in the MYTP submitted for the true up of First Control Period. However, at the time of submission of the MYTP for First Control Period, such Financing allowance was neither proposed by Bhubaneswar International Airport nor approved by the Authority in the Tariff Order for the First Control Period. Even though, considering the nature of Bhubaneswar International Airport as brownfield airport

the issue of Financing allowance does not arise at all. However, the Authority has examined AAI's claim towards Financing Allowance and has the following views:

- The Authority considers 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 and any airport of AAI, 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, in a scenario 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 BIA, since new projects have included mobilization of existing operations, the said Airport is ought to be considered as a brownfield airport, which would not be eligible for Financing 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.

Therefore, based on the above analysis, the Authority proposes not to allow the Financing allowance of ₹ 16.65 Crores claimed by AAI for the First Control Period.

Also, the Authority notes that AAI had availed debts amounting to ₹ 15.23 Cr. during the First Control period (from FY 2020-21 to FY 2022-23), as shown by AAI in the Financial Model in MS-Excel spreadsheet submitted to AERA on August 11, 2023 and confirmed vide email dated December 13, 2023. Further, AAI vide email dated December 15, 2023 had confirmed that the interest on debt had already been

capitalized in the Books of Account and the same had been claimed in the MYTP for true up of the First Control Period.

- 4.4.8 Based on the above factors, the difference of ₹ 16.65 Crores is solely due to disallowance of Financing Allowance as explained in para 4.4.7. Therefore, the Authority proposes to consider the actual CAPEX amounting to ₹ 167.80 Crores (after excluding Financing allowance of ₹ 16.65 Crores) for the purpose of true up for the First Control Period. The same is detailed as follows:

Table 9: Capital additions proposed by the Authority for True up of the First Control Period

(₹ Crores)

S. No	Asset category	FY	FY	FY	FY	FY	Total
		2018-19	2019-20	2020-21	2021-22	2022-23	
A. CAPEX incurred towards projects approved by AERA for First Control Period							
1	Runways / taxiway / Aprons					54.77	54.77
2	Electrical Installations- Non-Solar	2.11	2.36	0.48	-	9.48	14.44
3	Other Buildings					2.57	2.57
4	Plant & Machinery					0.18	0.18
5	CFT/ Fire Fighting Equipment	4.03	-	-	-	-	4.03
6	Other Vehicles	-	0.14	0.33	-	0.30	0.77
7	X Ray Baggage System	-	1.98	-	12.45	-	14.43
8	Tools & Equipment	0.25	0.16	-	5.28	-	5.69
9	Office Furniture	-	-	0.48	0.01	-	0.49
	Total Approved CAPEX (A)	6.39	4.64	1.29	17.74	67.30	97.37
B. Unplanned/ Unapproved CAPEX incurred by Bhubaneswar International Airport during First Control Period							
10	Building- Terminal	1.32	-	7.77	-	0.80	9.89
11	Building- Residential	0.19	-	2.17	-	0.75	3.11
12	Runways / taxiway / Aprons	5.62	-	-	-	15.03	20.65
13	Boundary Wall – Operational	-	0.72	-	-	-	0.72
14	Electrical Installations- Non-Solar	0.99	1.13	3.09	0.01	0.47	5.69
15	Electrical Installations- Solar	-	-	-	-	-	-
16	Other Building						
17	Plant & Machinery	1.48	0.66	-	0.22	1.25	3.61
18	Roads, Bridges & Culverts	-	-	3.50	-	0.27	3.77
19	CFT/ Fire Fighting Equipment	1.65	-	-	-	-	1.65
20	Vehicles	-	-	-	-	-	-
21	Other Vehicles	-	0.37	0.07	-	-	0.44
22	Furniture & Fixtures-Trolley	0.55	-	-	-	-	0.55
23	X Ray Baggage System	-	-	-	0.68	0.14	0.82
24	Other Office Equipment	0.18	0.20	0.13	-	0.01	0.52
25	Tools & Equipment	10.29	1.47	3.65	0.27	0.06	15.74
26	Office Furniture	1.23	0.19	1.52	0.03	-	2.97
27	Computer & Peripheral: End User Devices	-	0.06	0.02	-	-	0.08
28	Computer Software	0.05	-	0.01	-	-	0.06
29	Computer & Peripheral: NETWORK & SERVER	-	0.08	-	-	0.07	0.15
	Total Unapproved Capex (B)	23.55	4.88	21.93	1.21	18.85	70.42
	Total CAPEX incurred (A+B)	29.94	9.52	23.22	18.95	86.15	167.80

4.4.9 The Authority proposes to consider CAPEX of ₹ 167.80 crores (which only excludes Financing Allowance of ₹ 16.65 Cr.) as against CAPEX of ₹ 184.44 Crores claimed by AAI for True up of the First Control Period. The CAPEX considered by the Authority for true up of the First Control Period (₹ 167.80 Cr.) also includes unapproved CAPEX of ₹ 70.42 Crores, as the Authority notes that the same was incurred by AAI for Bhubaneswar International Airport for passenger facilitation and/ or security purposes and/ or operational needs and/ or mitigate security related threats.

True up of Depreciation for the First Control Period

4.4.10 The Authority notes that while submitting the True up for the First Control Period, 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 from FY 2018-19 onwards.

4.4.11 The Authority notes that AAI has depreciated assets @ 50% of depreciation rates in the year of capitalization of assets. However, the Authority proposes to consider the depreciation based on the date of capitalization of the asset and compute the depreciation charge accordingly, instead of considering 50% of the depreciation rates in the year of capitalization of the assets.

4.4.12 Based on the above factors, the Authority has recomputed the depreciation as ₹ 69.57 Crores and the same is presented below:

*Table 10: Depreciation proposed by the Authority for True up of the First Control Period
(₹ Crores)*

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.72	0.62	0.62	0.62	2.37	4.96
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	2.29	2.16	2.15	2.47	1.28	10.36
Building- Terminal	1.99	2.02	2.10	2.28	2.36	10.73
Building - Temporary	-	-	-	-	-	-
Building - Residential	0.29	0.29	0.34	0.35	0.35	1.62
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.43	0.44	0.38	0.36	0.36	1.97
Boundary Wall - Residential	0.35	0.33	0.31	0.31	0.31	1.60
Other Buildings-Unclassified	-	-	-	-	-	-
Computer & Peripherals: END USER DVICES	0.09	0.04	0.03	0.03	0.02	0.21
Intangible Assets- Software	0.01	0.01	0.01	0.01	0.01	0.05
Computer & Peripherals: NETWORK & SERVER	0.01	0.00	0.01	0.01	0.02	0.06
Plant & Machinery	0.63	0.68	0.72	0.73	0.81	3.57
Tools & Equipment	0.29	0.82	0.89	1.23	1.47	4.69
Office Furniture	0.15	0.18	0.30	0.49	0.50	1.62
Other Vehicles	0.07	0.06	0.12	0.16	0.18	0.58
Vehicle- Cars & Jeeps	-	-	-	-	-	-
Electrical Installations	4.13	4.28	4.67	4.25	3.07	20.40

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Solar power -Electrical Inst.	-	-	-	-	-	-
Other Office equipment	0.21	0.19	0.21	0.16	0.10	0.88
Furniture & Fixtures-OTHER THAN TROLLY	0.12	0.10	0.09	0.09	0.04	0.44
Furniture & Fixtures-TROLLY	0.15	0.18	0.18	0.09	-	0.60
X Ray Baggage System	0.21	0.34	0.34	0.54	1.22	2.65
CFT/Fire Fighting Equipment	0.50	0.60	0.49	0.49	0.49	2.57
TOTAL	12.64	13.35	13.98	14.67	14.94	69.57

Note: Variance in the depreciation proposed by the Authority (₹ 69.57 Crores) and that claimed by AAI (₹ 69.13 Crores) is on account of following factors:

- Disallowance of Financing Allowance of ₹ 16.65 Cr claimed by AAI for the First Control Period.
- Computation of depreciation based on the date of capitalization of the asset, instead of 50%, as claimed by AAI as part of its true up submission for the First Control Period.

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

Table 11: RAB proposed by the Authority for True up of the First Control Period

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Opening RAB (A)*	100.17	117.48	113.61	122.62	126.90	
Additions (B) (refer Table 9)	29.95	9.48	22.99	18.95	86.44	167.80
Disposal/Transfers (C)	-	-	-	-	-	-
Depreciation (D) (Refer Table 10)	12.64	13.35	13.98	14.67	14.94	69.57
Closing RAB (E) = [(A) +(B) – (C) – (D)]	117.48	113.61	122.62	126.90	198.40	
Average RAB = [(A) + (B)]/2	108.83	115.55	118.12	124.76	162.65	

* Opening RAB has been obtained from tariff Order 46/2018-19 dated March 08, 2019 (Table 29). This was further adjusted with re-allocation based on Terminal Building ratio of 92:8, as mentioned in para 4.4.6

4.5 True up of Fair Rate of Return

4.5.1 The Authority notes that AAI has claimed 14% as Fair Rate of Return, as part of its True up submission for the First control period and also notes that AAI has availed debts of ₹ 15.23 Cr. during the First Control period (from FY 2020-21 to FY 2022-23).

4.5.2 The Authority has computed FRoR for the First Control Period by considering cost of debt as 6.57% (submitted by AAI in the MYTP) and cost of Equity as 14% (as explained in para 7.2.2). The same is shown as follows:

Table 12: FRoR considered by the Authority for True up of the First Control Period

Particulars	Reference	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Debt	A	-	-	4.82	14.43	15.24
Equity	B	108.83	115.55	115.71	115.14	147.82
Debt + Equity	C= A+B	108.83	115.55	120.53	129.57	163.05
Cost of Equity	D	14%	14%	14%	14%	14%

Particulars	Reference	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Cost of Debt	E	6.57%	6.57%	6.57%	6.57%	6.57%
Gearing	F	0.00%	0.00%	4.00%	11.14%	9.34%
Weighted Average Gearing	G	5.41%				
Cost of Debt	H	6.57%				
Cost of Equity	I	14%				
FRoR	$J = G*H+(1-G)*I$	13.60%				

4.5.3 The Authority proposes to consider 13.60% as FRoR for true up of the First Control Period for BIA.

4.6 True up of Non-aeronautical revenues

4.6.1 The Authority notes that the actual Non-aeronautical revenue submitted by AAI for Bhubaneswar International Airport for true up of the First Control Period is ₹ 136.94 Crores and the same has been presented in the table below:

Table 13: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

S. No.	Revenue categories	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
1	Restaurant & Snack Bar	7.08	14.42	0.45	2.30	4.27	28.52
2	T.R. Stalls	5.74	8.69	2.93	1.95	3.50	22.81
3	Hoardings & displays	6.47	6.59	2.64	2.91	8.36	26.97
4	Land Leases	4.27	4.79	4.44	5.05	6.42	24.97
5	Buildings (Residential)	0.04	0.03	0.05	0.06	0.03	0.22
6	Buildings (Non-Residential)	1.53	1.56	1.38	1.29	0.99	6.74
7	Car Rental	1.61	2.19	0.37	0.35	1.03	5.55
8	Car Parking	2.61	0.67	0.37	0.50	1.15	5.29
9	Admission Tickets	0.87	0.27	0.04	0.04	0.06	1.29
10	Other Income/ Sale of Scrap etc.	1.94	1.88	2.92	2.49	5.36	14.58
	Total	32.15	41.09	15.58	16.94	31.17	136.94

4.6.2 The Non-aeronautical revenue approved by the Authority in the Tariff Order for First Control Period was ₹ 219.36 Crores. Component wise details of the Non-aeronautical revenue approved by the Authority in the Tariff Order for the First Control Period is as follows:

Table 14: Non-aeronautical revenue approved by the Authority for the First Control Period

(₹ Crores)

S. No	Revenue categories	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
1	Restaurant & Snack Bar	12.22	13.44	14.78	16.26	17.89	74.59
2	TR Stalls	6.68	7.35	8.08	8.89	9.78	40.78
3	Hoardings & Displays	5.91	6.50	7.15	7.87	8.66	36.09
4	Land Leases	5.17	5.17	5.17	5.17	5.56	26.24
5	Buildings (Residential)	0.04	0.04	0.04	0.04	0.04	0.2
6	Buildings (Non-Residential)	0.72	0.79	0.87	0.96	1.05	4.39
7	Car Rentals	1.21	1.52	1.67	1.84	2.02	8.26
8	Car Parking	2.63	2.89	3.18	3.50	3.85	16.05

S. No	Revenue categories	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
9	Admission Tickets	1.01	1.21	1.46	1.76	2.13	7.57
10	Other Income	1.03	1.03	1.03	1.03	1.03	5.15
	Total	36.62	39.95	43.45	47.33	52.01	219.36

Authority's examination and proposal regarding true up of Non-aeronautical revenues of the First Control Period:

4.6.3 The Authority notes that the actual Non-aeronautical revenue (₹ 136.94 Crores) submitted by AAI for Bhubaneswar International Airport for the First Control Period is lower than that approved by AERA in the tariff order for the First Control Period (₹ 219.36 Crores). The Authority examined variances between projected and actual revenue of Restaurants and Snack bar, T.R stalls, hoardings and displays, Car parking, admission tickets and observes that the same is on account of decline in passenger traffic due to:

- Disruptions in the operations of the Airport due to the impact of Cyclone Pheni, which had hit the Bhubaneswar city in May 2019.
- The adverse effects of the COVID-19 pandemic, which had led to the cancellation of numerous chartered flights from January 2020 onwards, resulting in a noticeable decline in both domestic and international passenger traffic.
- Significant decline in the International Passenger traffic and ATM during FY 2020-21 to FY 2022-23 due to withdrawal of the subsidy to foreign airlines by the State Government.

Based on the above analysis, the Authority proposes to consider the actual Non-aeronautical revenue as presented in Table 13 for the purpose of true up of the First Control Period.

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

4.7.1 The Authority notes that the actual O&M expenses submitted by AAI for Bhubaneswar International Airport for true up of the First Control Period is ₹ 413.93 Crores and the same has been presented in the table below:

Table 15: Actual O&M expenses submitted by AAI for Bhubaneswar International Airport for the First Control Period

(₹ Crores)

S. No.	Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
1	Pay roll expenditure of Bhubaneswar International Airport	15.29	17.16	17.18	16.37	17.73	83.74
2	Expenditure for Bhubaneswar International Airport employee's retirement benefits allocated at CHQ	6.30	3.74	0.48	0.20	(1.05)	9.68
A	Total Payroll expenditure (1+2)	21.59	20.91	17.66	16.58	16.68	93.41
3	Administrative and General Expenditure	5.62	10.09	8.52	7.95	8.89	41.06
4	Apportionment of Administration & General expenditure of CHQ/RHQ	39.62	52.84	35.85	37.65	39.53	205.49
B	Total Administration and General expenditure (3+4)	45.24	62.93	44.37	45.60	48.41	246.55
C	Repair & Maintenance Expenditure (Total)	9.47	10.39	10.49	9.33	9.97	49.66

S. No.	Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
5	Power Charges	3.74	3.80	2.37	2.77	4.52	17.20
6	Water Charges	0.13	0.15	0.06	0.00	0.06	0.40
7	Consumption of Stores and Spares	0.37	0.41	0.36	0.31	0.28	1.73
8	Other charges	0.46	0.49	0.45	0.51	0.83	2.74
D	Utility and Outsourcing Expenditure (5+6+7+8)	4.70	4.85	3.24	3.59	5.70	22.08
E	Other Outflows	0.31	0.66	0.21	0.36	0.68	2.23
	Total (A+B+C+D+E)	81.32	99.74	75.97	75.46	81.44	413.93

4.7.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period was ₹ 372.86 Crores. Component wise details of the O&M expenses approved by the Authority in the Tariff Order for the First Control Period is as follows:

Table 16: O&M expenses as per the Tariff Order for the First Control Period

(₹ Crores)

S. No.	Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
1	Pay roll expenditure of Bhubaneswar International Airport	17.80	19.07	20.41	21.83	23.36	102.47
2	Expenditure for Bhubaneswar International Airport employee's retirement benefits allocated at CHQ	3.15	3.37	3.60	3.86	4.13	18.11
A	Total Payroll expenditure (1+2)	20.95	22.44	24.01	25.69	27.49	120.58
3	Administrative and General Expenditure	4.47	4.76	5.08	5.43	5.82	25.56
4	Apportionment of administration & General expenditure of CHQ/RHQ	28.26	29.68	31.16	32.72	34.35	156.17
B	Total Administration and General expenditure (3+4)	32.73	34.44	36.24	38.15	40.17	181.73
C	Repair & Maintenance Expenditure	9.36	10.29	11.32	12.45	13.70	57.12
D	Utility and Outsourcing Expenditure	2.01	2.10	2.19	2.29	2.40	10.99
E	Other Outflows	0.36	0.41	0.48	0.55	0.64	2.44
	Total (A+B+C+D+E)	65.41	69.68	74.24	79.13	84.4	372.86

4.7.3 The Authority notes a variance of ₹ 41.07 Crores between the actual O&M expenses incurred by the Bhubaneswar International Airport and that approved by the Authority in the Tariff Order for the First Control Period. The Authority has examined the variances and the same has been explained in the below-mentioned paragraphs:

Authority's examination and proposal regarding true up of O&M expenses of the First Control Period:

4.7.4 The Authority examined the variances between the projected and actual O&M expenses and notes the following:

- **Payroll expenses:** The Authority notes that the actual total payroll expenses submitted by AAI for

Bhubaneswar International Airport (₹ 93.41 crores) is within the expense approved by the Authority in the Tariff Order of the First Control Period (₹ 120.58 crores). Therefore, the Authority proposes to consider the actual payroll expenses of FY 2018-19 to FY 2022-23 for true up of the First Control Period.

• **Apportionment of administration & General expenditure of CHQ/RHQ:**

The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Bhubaneswar International Airport and other airports and noted the following:

- All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) is allocated to all the AAI airports, 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. The Authority proposes the following towards allocation of CHQ and RHQ expenses:

a) 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 of 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:

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

Balance 80% of pay and allowances of CHQ and RHQ have been allocated to the Airports.

b) 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 analyzed 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.
- 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 allocation of CHQ and RHQ expenses and the same is presented in the table below:

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

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	39.62	52.84	35.85	37.64	39.53	205.48
Revised allocation of CHQ/ RHQ expenses by the Authority = B	32.64	44.84	30.86	32.41	34.03	174.78
Variance (A-B)	6.98	8.00	4.99	5.23	5.50	30.70

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 has rationalised the CHQ/ RHQ expenses being allocated to Bhubaneswar International Airport.

The Authority feels that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is on higher side, 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. Users of the Major Airports have to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. 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 a fool proof 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.

- **Administration expenses (Other than CHQ/ RHQ):** There is significant variance between the Administration Expenses approved in the Tariff Order of the First Control Period (₹ 25.56 Crores) and actual expense claimed by AAI (₹ 41.06 Crores) for true up of the First Control Period. The Authority notes that that such increase in Administration Expenses is due to incurrence of higher upkeep expenses, installation of " May I Help You" counters and introduction of Airport Terminal assistant facility in Terminal 1 and 2. The Authority notes that AAI has paid Municipal Taxes worth ₹ 3.38 Crores for period FY 2005-06 to FY 2019-20, out of which ₹ 1.93 Crores have been claimed as part of true up of the First Control Period.

Further, AAI has incurred ₹ 5.01 Crores (₹ 0.34 Crores for FY 2018-19, ₹ 3.80 Crores in FY 2019-20 and ₹ 0.87 Crores for FY 2020-21) towards CSR expenses. That Authority notes that Bhubaneswar International Airport has incurred losses during all tariff years of the First Control Period. Therefore, the Authority proposes not to consider the CSR expenses claimed by AAI and consider Administration Expenses (other than CHQ/ RHQ) of ₹35.95 Cr. for true up of the First Control Period of BIA.

- **Repair and Maintenance (R&M):** The Authority notes that the actual repair and maintenance cost for the First Control Period is ₹ 49.66 Crores and the same is within the amount approved by AERA in the Tariff Order for the First Control Period. Further, the Authority observes that the R&M expenses include special repairs of operational boundary wall, residential colony that were undertaken by the Airport due to operational requirements and also awarding of Annual Maintenance and Service contracts for civil and electrical maintenance for the First Control Period. Based on the above factors, the Authority considers the above expenses to be justifiable.
- **Power Charges:** AAI has incurred actual power charges of ₹ 21.04 Crores during First Control Period, out of which ₹ 3.84 Crores has been recovered from the Concessionaires and has claimed the net power charges of ₹ 17.20 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the First Control Period.

The Authority notes that the above power costs incurred during the First Control Period and claimed by AAI as a part of true up, are net of recoveries made from the Concessionaires. The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarized in the table below:

Table 18: Details of power costs incurred and recoveries made from Concessionaires

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Total power costs (A)	4.52	4.55	2.78	4.03	5.17	21.04
Recoveries from Concessionaires (B)	0.78	0.75	0.41	1.26	0.64	3.84
Recoveries (%) = (B/A%)	17%	16%	15%	31%	12%	
Net power costs (A-B)	3.74	3.80	2.37	2.77	4.52	17.20

However, the actual power charges claimed by AAI (₹ 17.20 Crores) is much higher than the approved expense of ₹ 10.99 Crores. The Authority notes that higher power costs were incurred in the First Control Period, due to delays in the commissioning of the Solar Power Plant (which was proposed to be constructed during the First Control Period, but it was delayed and installed only in the Second Control Period). Based on the above factors, the Authority proposes to consider the actual power costs incurred by AAI for Bhubaneswar International Airport for true up of the First Control Period.

- **Consumption of Stores and Spares:**

The Authority notes that the actual expenses amounting to ₹1.73 Crore incurred by AAI for BIA towards Consumption of Stores and Spares includes consumption of electrical spares, tyres for other vehicles, Toiletry and conservancy store, etc. Expenses towards consumption of stores and spares has not been separately approved in the Tariff Order for the First Control Period. The Authority notes the actual expenses towards consumption of Stores and spares to be reasonable and therefore proposes to consider the same for true up of the First Control Period.

- **Other Charges**

The Authority notes that the Other Charges includes fees paid to outside consultancy charges for Airport Council for ACI ASC Survey Fees, consultancy charges for management of fuel

farm and other activity. The actual expenses amounting to ₹2.74 Crore incurred by AAI for BIA on such expenses towards consultancy has not been separately approved in the Tariff Order for the First Control Period. The Authority notes the actual expenses towards Other charges to be reasonable and therefore proposes to consider the same for true up of the First Control Period.

- 4.7.5 Based on the above review and analysis, the revised Operation and Maintenance expenses proposed to be considered by the Authority for the First Control Period is provided in the table below:

Table 19: O&M expenses as proposed by the Authority for True up of the First Control Period

(₹ Crores)

S. No.	Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
1	Pay roll expenditure of Bhubaneswar International Airport	15.29	17.16	17.18	16.37	17.73	83.74
2	Expenditure for Bhubaneswar International Airport employee's retirement benefits allocated at CHQ	6.30	3.74	0.48	0.20	(1.05)*	9.68
A	Total Payroll expenditure (1+2)	21.59	20.91	17.66	16.58	16.68	93.41
3	Administrative and General Expenditure	5.28	6.28	7.65	7.95	8.78	35.95
4	Apportionment of Administration & General expenditure of CHQ/RHQ	32.64	44.84	30.86	32.41	34.03	174.78
B	Total Administration and General expenditure (3+4)	37.92	51.12	38.52	40.36	42.81	210.73
C	Repair & Maintenance Expenditure (Total)	9.47	10.39	10.49	9.33	9.97	49.66
5	Power Charges	3.74	3.80	2.37	2.77	4.52	17.20
6	Water Charges	0.13	0.15	0.06	0.00	0.06	0.40
7	Consumption of Stores and Spares	0.37	0.41	0.36	0.31	0.28	1.73
8	Other charges	0.46	0.49	0.45	0.51	0.83	2.74
D	Utility and Outsourcing Expenditure (5+6+7+8)	4.70	4.85	3.24	3.59	5.70	22.08
E	Other Outflows	0.31	0.66	0.21	0.36	0.68	2.23
	Total (A+B+C+D+E)	74.00	87.93	70.12	70.22	75.83	378.10

*The negative amount of ₹ 1.05 Crores is due to reversal of excess provision.

4.8 True up of Taxation

- 4.8.1 AAI has submitted taxation for the First Control Period as follows:

Table 20: Taxation submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Revenue (A)						
Aeronautical Revenue	48.88	103.24	51.77	63.69	108.40	

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Total (A)	48.88	103.24	51.77	63.69	108.40	375.98
Expenses (B)						
O&M expenses (Refer Table 15)	81.32	99.73	75.98	75.46	81.44	413.93
Depreciation (as per Income Tax Act, 1961)	12.16	13.35	13.71	14.89	19.68	73.79
Interest on Working Capital	0.94	-	-	0.32	-	1.26
Total (B)	94.42	113.08	89.69	90.67	101.12	488.98
Profit /Loss (C=A-B)	(45.54)	(9.85)	(37.92)	(26.98)	7.28	(113.01)
Set off of prior period tax losses (D)	-	-	-	-	(7.28)	(7.28)
Profit/ Loss after set off of prior period tax losses (E)	-	-	-	-	-	
Tax Rates (F)	34.94%	25.17%	25.17%	25.17%	25.17%	
Tax (E*F)	-	-	-	-	-	-

4.8.2 The Authority has re-computed Aeronautical Taxation based on Regulatory Building Blocks as discussed in the previous paragraphs and the same is as follows:

Table 21: Taxation proposed to be considered by the Authority

						(₹ Crores)
Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Revenue (A)						
Aeronautical Revenue (refer Table 22)	48.88	103.24	51.77	63.69	108.40	
Total (A)	48.88	103.24	51.77	63.69	108.40	375.98
Expenses (B)						
O&M expenses (refer Table 19)	74.00	87.93	70.12	70.22	75.83	378.10
Depreciation (as per Income Tax Act, 1961)	12.14	13.34	13.60	14.65	18.71	72.44
Interest on Working Capital	0.94	-	-	0.32	-	1.26
Total (B)	87.08	101.26	83.72	85.19	94.54	451.79
Profit /Loss (C=A-B)	(38.20)	1.97	(31.95)	(21.50)	13.86	(75.81)
Set off of prior period tax losses (D)	-	(1.97)	-	-	(13.86)	(15.83)
Profit/ Loss after set off of prior period tax losses (E)	(38.20)	0.00	(31.95)	(21.50)	-	(91.64)
Tax Rates (F)	34.94%	25.17%	25.17%	25.17%	25.17%	
Tax (E*F)	-	-	-	-	-	-

4.8.3 The Authority notes that AAI has incurred losses during FY 2018-19, FY 2020-21 and FY 2021-22 and earned profit during the FY 2019-20 and FY 2022-23 of the First Control Period, which has been set off with the losses incurred in the previous Financial Years. The Authority proposes to consider Aeronautical Tax as Nil for true up of the First Control Period, as shown in Table 21.

4.9 True up of Aeronautical Revenue

4.9.1 AAI has submitted the actual Aeronautical revenue for the First Control Period for Bhubaneswar

International Airport, which is as follows

Table 22: Aeronautical revenue submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Parking & Housing charges						
Parking & Housing charges	0.04	0.22	0.72	0.33	0.26	1.56
PSF and UDF charges						
PSF Domestic	15.29	0.81	0.01	-	-	16.11
PSF International	0.73	0.06	-	-	-	0.79
UDF Domestic	-	66.82	31.44	40.03	70.56	208.85
UDF International	-	1.72	0.22	0.00	0.09	2.03
Landing charges						
Landing Domestic	21.16	24.23	15.22	18.80	29.42	108.85
Landing International	0.98	0.73	0.18	0.02	0.01	1.93
Other revenue						
Extension of Watch Hours	-	-	0.01	-	-	0.01
CUTE charges	3.58	3.20	1.41	1.76	3.78	13.74
Fuel Throughput Revenue	3.43	2.57	-	-	-	6.00
Ground Handling Revenue	1.40	0.94	0.53	0.48	1.62	4.98
Cargo Revenue	0.56	0.56	0.48	0.74	0.64	2.98
Land lease to Oil companies	1.40	1.32	1.33	1.33	1.71	7.08
Land lease to Ground Handling	0.30	0.05	0.21	0.20	0.30	1.05
Total	48.88	103.24	51.77	63.69	108.40	375.98

4.9.2 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2019 to FY 2023) and noted no deviations. Therefore, the Authority proposes to consider the Aeronautical revenue as per Table 22 for True up of First control period.

4.10 True up of Aggregate Revenue Requirement (ARR) for the First Control Period

4.10.1 Based on the above factors and the regulatory building blocks discussed under the above sections, the Authority has derived the ARR for true up of the Second Control Period which is enumerated in the table below:

Table 23: ARR proposed by the Authority for True up of the First Control Period

(₹ Crores)

Particulars	Ref.	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Average RAB (refer Table 11)	a	108.83	115.55	118.12	124.76	162.65	
FRoR (refer Table 12)	B	13.60%	13.60%	13.60%	13.60%	13.60%	
Return on Average RAB	(c) = (a) * (b)	14.80	15.71	16.06	16.97	22.12	85.67
Depreciation (refer Table 10)	(d)	12.64	13.35	13.98	14.67	14.94	69.57
O&M expenses (refer Table 19)	(e)	74.00	87.93	70.12	70.22	75.83	378.10
Tax	(f)	-	-	-	-	-	-
Interest on Working Capital	(g)	0.94	-	-	0.32	-	1.26
Add: Under recovery of Pre-Control Period (FY 2016-17 and FY 2017-18)*	(h)	106.17					106.17
Gross ARR	(i) = (c+d+e+f+g+h)	208.54	116.99	100.16	102.17	112.90	640.77
NAR (refer Table 13)		32.15	41.09	15.58	16.94	31.17	136.94
Less 30% NAR	(j)	9.65	12.33	4.67	5.08	9.35	41.08
Net ARR	(k) = (i - j)	198.89	104.66	95.49	97.09	103.55	599.68
Actual Aeronautical Revenue (refer Table 22)	(l)	48.88	103.24	51.77	63.69	108.40	375.98
Under/ (Over) recovery of First Control Period as on March 31, 2024	m=(k-l)	150.01	1.42	43.72	33.40	(4.85)	223.70
Discount Factor (@13.60%)	(n)	1.89	1.67	1.47	1.29	1.14	
Under/ (Over) recovery of First Control Period as on March 31, 2024	(m*n)	283.81	2.37	64.09	43.10	(5.51)	387.86
True up of Under Recovery of First Control Period as on March 31, 2024							387.86

*Under recovery of First Control Period has been obtained from Table 56 of the Tariff Order No. 46/ 2018-19 for Bhubaneswar International Airport for the First Control Period.

4.10.2 The Authority has re-computed the under-recovery of ₹ 387.86 Crores in the First Control Period and proposes to readjust the same in the ARR computation of the Second Control Period.

4.10.3 The variation between the ARR proposed by the Authority and that claimed by AAI are attributable to following factors:

- Non-consideration of Financing Allowance claimed by AAI of ₹ 16.65 Crores.
- Determination of FRoR as 13.60% as against 14% claimed by AAI.
- Rationalisation of O&M expenses like CHQ/ RHQ expenses, Administration expenses etc. amounting to ₹ 35.83 Crores.

4.11 Authority's proposal regarding True up of the First Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to true up of the First Control Period for Bhubaneswar International Airport

- 4.11.1 To consider capital additions as detailed in Table 9 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 10 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 11 for true up for the First Control Period.
- 4.11.4 To consider FRoR as per Table 12 for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 13 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 19 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 22 for true up of the First Control Period for BIA.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 23 for true up of the First Control Period for BIA and readjust the shortfall in the Second Control Period.

5 TRAFFIC FOR THE SECOND CONTROL PERIOD

5.1 AAI's submission on Traffic for the Second Control Period for Bhubaneswar International Airport

5.1.1 The historical passenger traffic² and ATM at the Airport has been shown in the table below:

Table 24: Historical passenger and ATM traffic at BIA (in numbers)

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2011-12	12,53,263	-	12,53,263	14,672	2	14,674
2012-13	13,89,552	-	13,89,552	13,883	-	13,883
2013-14	13,35,832	-	13,35,832	11,752	-	11,752
2014-15	14,93,342	17	14,93,359	12,506	6	12,512
2015-16	18,78,559	16,173	18,94,732	14,032	4	14,036
2016-17	23,03,623	28,810	23,32,433	17,071	7	17,078
2017-18	31,58,916	91,719	32,50,635	22,532	623	23,155
2018-19	40,64,411	94,320	41,58,731	29,702	688	30,390
2019-20	36,01,359	70,887	36,72,246	27,308	623	27,931
2020-21	15,65,656	6,277	15,71,933	14,174	91	14,265
2021-22	21,35,877	16	21,35,893	19,397	20	19,417
2022-23	36,24,905	36	36,24,941	30,714	31	30,745

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

Table 25: Traffic growth rates and traffic proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates (based on FY 2023-24)						
2023-24	17.84%	-	19.09%	8.05%	-	8.77%
2024-25	20.00%	10.23%	19.90%	15.00%	9.52%	14.96%
2025-26	16.00%	10.00%	15.94%	12.00%	10.87%	11.99%
2026-27	16.00%	10.00%	15.95%	12.00%	9.80%	11.99%
2027-28	11.00%	10.00%	10.99%	10.00%	10.12%	10.00%
Traffic						
2023-24	42,71,754	45,360	43,17,114	33,188	252	33,440
2024-25	51,26,105	50,000	51,76,105	38,167	276	38,443
2025-26	59,46,282	55,000	60,01,282	42,746	306	43,052
2026-27	68,97,687	60,500	69,58,187	47,876	336	48,212

² Source: Traffic News from AAI website

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2027-28	76,56,432	66,550	77,22,982	52,664	370	53,034

5.1.3 AAI has submitted that the passenger traffic and aircraft movement projections are based on past trends, econometric and regression analysis, and various economic factors including policy framework.

5.2 Authority's examination regarding Traffic for the Second Control Period

5.2.1 As part of its examination of AAI's forecast of traffic at BIA, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2018-19 to FY 2022-23 (5-year CAGR) and FY 2019-20 to FY 2022-23 (3-year CAGR).

5.2.2 The Authority notes that 5-year and 3-year CAGR of International passenger and ATM is significantly low due to the downfall in international passenger and ATM as explained in para 4.3.3. The CAGR details so computed have been provided in the table below:

Table 26: CAGR for passenger traffic and ATM

Particulars	5-year CAGR	3-year CAGR
Passengers:		
Domestic	-2.82%	0.33%
International	-86.02%	-97.75%
Total Passenger Traffic	-3.38%	-0.65%
ATM:		
Domestic	0.84%	6.05%
International	-53.93%	-77.69%
Total ATM	0.29%	4.92%

5.2.3 The Authority has noted the wide variation in traffic in the recent past, which causes CAGR for 3-year period to be the highest for Domestic Air Traffic Movement.

5.2.4 The Authority notes that AAI has projected growth of 70% and 125% in domestic passenger traffic and international passenger traffic respectively for FY 2022-23 (over previous financial year). Similarly, a growth of 58% and 55%, respectively in domestic ATM and international ATM for FY 2022-23 (over previous financial year) has been projected by AAI.

5.2.5 AAI assumes the traffic volume to increase in FY 2023-24 and have projected a growth of 18% in domestic passenger traffic. Likewise, AAI has projected a growth of 8% in domestic ATM in FY 2023-24.

5.2.6 The Authority notes that the domestic passenger traffic and ATM of FY 2022-23 has surpassed the pre-COVID levels of FY 2019 -20. Further, month wise passenger and ATM traffic for the period April 2023 to September 2023, is shown as follows:

Table 27: Actual Passenger and ATM traffic for FY 2023-24 (YTD Sep 23)

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Apr-23	3,82,885	8	3,82,893	3,060	8	3,068
May-23	3,93,463	2,131	3,95,594	2,975	15	2,990

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Jun-23	3,96,354	9,158	4,05,512	2,883	57	2,940
Jul-23	3,55,778	7,798	3,63,576	2,824	61	2,885
Aug-23	3,67,088	8,044	3,75,132	2,889	57	2,946
Sep-23	3,63,840	8,431	3,72,271	2,880	61	2,941

5.2.7 The Authority has analyzed the movement of the international passenger traffic and observes a positive trend starting from April 2023 due to the initiation of international operations by Indigo Airlines in destinations such as Dubai, Singapore and Bangkok. The Authority also notes that there has been a slight dip in Passenger traffic of BIA in July 2023, which had then recovered in August 23. Based on the movement of passenger traffic and ATM for YTD September 2023, the Authority has derived the projected traffic for the FY 2023-24, which has been shown in Table 28.

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

The revised traffic forecasts have been computed by the Authority, after considering the study and analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

5.2.8 Airport International Council (ACI)

ACI in its recent report has analysed air travel outlook revealing global passenger traffic expected to recover from the impacts of COVID-19 pandemic in early 2024 as it reaches 9.4 billion passengers:

- *While the Asia-Pacific region is expected to have a substantial jump in passenger traffic in the first half of 2023 along with the ongoing opening of the Chinese market, its recovery is predicted to slow down significantly in the second half of the year due to challenges in overseas tourism and looming economic concerns. The region is expected to reach approximately 3.4 billion passengers in 2024, or 99.5% of the 2019 level.*
- *Global passenger volume in 2023 is expected to reach 8.6 billion passengers, which is 94.2% of the 2019 level.*
- *The year 2024 is expected to be a milestone for global passenger traffic recovery as it reaches 9.4 billion passengers, surpassing the year 2019 that welcomed 9.2 billion passengers (102.5% of the 2019 level).*
- *The gap between the Business as Usual (BAU) forecast from 2019 and the current recovery projections reveal that the percentage of lost traffic continues to decrease on a quarterly basis, from -23% in Q1 2023 to -13% in Q4 2024.*
- *The Latin America-Caribbean region is forecasted to be the first region to surpass its 2019 level. In 2023, the region is estimated to reach 707 million passengers, or 102.9% of the 2019 level.*

5.2.9 International Air Transport Association (IATA)

IATA in its report on September 9, 2023 had announced the air travel recovery continued through July 2023:

- *Total traffic in July 2023 (measured in revenue passenger kilometers or RPKs) rose 26.2% compared to July 2022. Globally, traffic is now at 95.6% of pre-COVID levels.*

- Domestic traffic for July rose 21.5% versus July 2022 and was 8.3% above the July 2019 results. July RPKs are the highest ever recorded, strongly supported by surging demand in the China domestic market.
- International traffic climbed 29.6% compared to the same month a year ago with all markets showing robust growth. International RPKs reached 88.7% of July 2019 levels. The passenger load factor (PLF) for the industry reached 85.7% which is the highest monthly international PLF ever recorded.

Conclusion on traffic forecasts based on the above assumptions

- 5.2.10 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecast/data published by ACI and IATA cited in para 5.2.8 and 5.2.9 above for arriving at the revised traffic projections.
- 5.2.11 In the Authority’s opinion, with the gradual revival of the economy, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry is expected to recover at a better pace in the next few years.
- 5.2.12 The Authority notes that AAI has projected the growth rate of 16% for passenger traffic and 12% for ATM for the FY 2023-24 to FY 2027-28 in its MYTP. The Authority takes cognizance of the rebounding of domestic passenger traffic in FY 2022-23, wherein the passenger traffic and ATM had surpassed the pre-COVID levels of FY 2019-20 and the positive trend in the growth of passenger traffic in FY 2023-24 (April 2023 to September 2023, as shown in Table 27). Further, with the commissioning of Link Building connecting T1 and T2, the Authority is of the view that Bhubaneswar International Airport would be able to handle higher passenger traffic in the Second Control Period.

Based on the above factors, the Authority finds the traffic projections of AAI for BIA to be reasonable and proposes to consider the same for the Second Control Period.

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

Table 28: Traffic proposed to be considered by the Authority for the Second Control Period

Domestic Passengers (in Lacs)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
As submitted by AAI for BIA	42.72	51.26	59.46	68.98	76.56	298.98
As proposed by the Authority	42.72	51.26	59.46	68.98	76.56	298.98
Y-o-Y growth of Domestic PAX submitted by AAI for BIA	-	20%	16%	16%	11%	
Y-o-Y growth of Domestic PAX proposed by the Authority		20%	16%	16%	11%	
International Passengers (in Lacs)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
As submitted by AAI for BIA	0.45	0.50	0.55	0.61	0.67	2.78
As proposed by the Authority	0.45	0.50	0.55	0.61	0.67	2.78
Y-o-Y growth of International PAX submitted by AAI for BIA	-	11%	10%	11%	10%	
Y-o-Y growth of International PAX proposed by the Authority		11%	10%	11%	10%	

TRAFFIC FOR THE SECOND CONTROL PERIOD

Total passengers (in Lacs)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Total as per AAI's submission for BIA	43.17	51.76	60.01	69.59	77.23	301.76
Total (Domestic and International) proposed by the Authority	43.17	51.76	60.01	69.59	77.23	301.76
Y-o-Y growth of total PAX submitted by AAI for BIA	-	20%	16%	16%	11%	
Y-o-Y growth of total PAX proposed by the Authority	-	20%	16%	16%	11%	
Domestic ATM (in '000)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Domestic ATM submitted by AAI for BIA	33.19	38.17	42.75	47.88	52.66	214.65
Domestic ATM proposed by the Authority	33.19	38.17	42.75	47.88	52.66	214.65
Y-o-Y growth of Domestic ATM submitted by AAI for BIA	-	15%	12%	12%	10%	
Y-o-Y growth of Domestic ATM proposed by the Authority	-	15%	12%	12%	10%	
International ATM (in '000)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
International ATM submitted by AAI for BIA	0.25	0.28	0.31	0.34	0.37	1.55
International ATM proposed by the Authority	0.25	0.28	0.31	0.34	0.37	1.55
Y-o-Y growth of International ATM submitted by AAI for BIA	-	12%	11%	10%	9%	
Y-o-Y growth of International ATM proposed by the Authority	-	12%	11%	10%	9%	
Total ATM (in '000)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Total ATM (Domestic and International) as per AAI's submission for BIA	33.44	38.45	43.06	48.22	53.03	216.20
Total ATM (Domestic and International) proposed by the Authority	33.44	38.45	43.06	48.22	53.03	216.20
Y-o-Y growth of total ATM submitted by AAI for BIA	-	15%	12%	12%	10%	
Y-o-Y growth of total ATM proposed by the Authority	-	15%	12%	12%	10%	

5.2.14 The Authority proposes to true up the traffic as per actuals achieved during the Second Control Period at the time of determination of tariff for the Third Control Period.

5.3 Authority's Proposal regarding Traffic for the Second Control Period

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

- 5.3.1 To consider the ATM and passenger traffic for the Second Control Period for Bhubaneswar International Airport as per Table 28.
- 5.3.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Second Control Period while determining tariff for the Third Control Period.

6 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

6.1 Background

6.1.1 The Authority has presented its analysis on this chapter in the following order:

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

6.2 Allocation of Gross block of assets into Aeronautical and Non-aeronautical

6.2.1 AAI has submitted for Bhubaneswar International Airport the following allocation of gross block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical services:

Table 29: Allocation of opening gross block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical as per AAI

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non- Aero Assets	Pure Aero- nautical Assets	Common Assets	Common Assets		Total Aeronauti- cal Assets	% Aeronautical
						Aero	Non- Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land Freehold	-	-	-	-	-	-	-	-	0%
Land leasehold	-	-	-	-	-	-	-	-	0%
Runways, Taxiways, Apron	142.75	2.85	-	139.89	-	-	-	139.89	98%
Building Freehold. Road, Bridge	47.33	0.46	8.99	37.52	0.36	0.33	0.03	37.85	80%
Building Freehold. Terminal	90.63	1.46	0.07	33.15	55.95	51.50	4.45	84.65	93%
Building Freehold. Temporary	0.25	-	-	0.25	-	-	-	0.25	100%
Building Freehold. Residential	13.63	1.46	0.03	9.57	2.57	2.35	0.21	11.93	87%
Boundary Freehold. Security Fencing	0.52	-	-	0.52	-	-	-	0.52	100%
Boundary Freehold. Operational	6.39	0.01	-	6.35	0.02	0.02	0.00	6.37	100%
Boundary Freehold. Residential	3.47	-	-	3.47	-	-	-	3.47	100%
Office Appliances. Computer: END USER DEVICES	0.86	0.03	-	0.83	-	-	-	0.83	97%
Computer Software	0.46	0.02	0.00	0.44	-	-	-	0.44	95%
Office Appliances. Computer: SERVERS & NETWORK	0.80	0.05	0.00	0.75	-	-	-	0.75	94%
Plant & Equipment Freehold	30.61	5.69	-	24.43	0.48	0.45	0.04	24.88	81%
Plant & Equip. Tools & Equipment	23.02	0.33	0.00	22.60	0.09	0.08	0.01	22.68	99%
Office Furniture	3.48	-	0.00	3.48	-	-	-	3.48	100%

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

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
Vehicles Freehold. Others	2.39	0.17	-	2.22	-	-	-	2.22	93%
Electric installation	75.20	2.46	-	64.56	8.19	7.43	0.76	71.99	96%
Office Appliances. Others	2.09	0.18	0.02	1.61	0.28	0.26	0.02	1.87	90%
Furniture & Fixtures: Other Than Trolley	3.38	0.18	-	2.70	0.50	0.44	0.06	3.14	93%
Furniture & Fixtures: Trolleys	1.09	-	0.00	1.09	-	-	-	1.09	100%
Plant & Equipment-X.BIS	20.92	-	-	20.92	-	-	-	20.92	100%
Vehicles Freehold. CFT & Fire Fighting	18.47	-	-	18.47	-	-	-	18.47	100%
Total	487.74	15.36	9.12	394.81	68.44	62.87	5.57	457.68	94%

Authority's examination of allocation of Gross block of assets into Aeronautical and Non-aeronautical

6.2.2 The Authority notes that the common assets within the Terminal Building have been apportioned to Aeronautical and Non-aeronautical activities by AAI for Bhubaneswar International Airport in the Terminal Building ratio of 92.47%:7.53% for the First Control Period. However, as stated in para 4.4.6, the Authority proposes to consider Terminal Building ratio of 92%:8% (Aeronautical : Non Aeronautical) for allocation of assets of BIA for the First Control Period.

6.2.3 As mentioned under para 4.4.7 (under True up of Capital Expenditure), the Authority has not allowed Financing allowance of ₹ 16.65 Crores, capitalized by the AO during the First Control Period. Therefore, the above Financing allowance which has not been allowed by the Authority has been adjusted against the respective assets such as Apron, Terminal Building and Plant and Machinery and the same is provided in Table 30 below.

6.2.4 Based on the above observations, the Authority has presented the allocation of Gross Block of assets as on April 1,2023 between Aeronautical and Non-aeronautical as per table below:

Table 30: Allocation of Opening Gross Block of Assets as on April 1, 2023 between Aeronautical and Non-aeronautical proposed by the Authority

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	% Aeronautical
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land Freehold	-	-	-	-	-	-	-	-	-
Land leasehold	-	-	-	-	-	-	-	-	-
Runways, Taxiways, Apron	128.71	2.85	-	125.86	-	-	-	125.86	98%
Building Freehold. Road, Bridge	46.72	0.46	8.99	36.90	0.36	0.33	0.03	37.23	80%
Building Freehold. Terminal	89.62	1.46	0.06	32.15	55.95	51.26	4.68	83.41	93%
Building Freehold. Temporary	0.25	-	-	0.25	-	-	-	0.25	100%

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

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Comm on Assets	Common Assets		Total Aero Assets	% Aeronautical
						Aero	Non-Aero		
Building Freehold. Residential	13.63	1.46	0.03	9.57	2.57	2.35	0.21	11.93	87%
Boundary Freehold. Security Fencing	0.52	-	-	0.52	-	-	-	0.52	100%
Boundary Freehold. Operational	6.39	0.01	-	6.35	0.02	0.02	0.00	6.37	100%
Boundary Freehold. Residential	3.47	-	-	3.47	-	-	-	3.47	100%
Office Appliances. Computer: END USER DEVICES	0.86	0.03	-	0.83	-	-	-	0.83	97%
Computer Software	0.46	0.02	0.00	0.44	-	-	-	0.44	95%
Office Appliances. Computer: SERVERS & NETWORK	0.80	0.05	0.00	0.75	-	-	-	0.75	94%
Plant & Equipment Freehold	30.61	5.69	-	24.43	0.48	0.45	0.04	24.87	81%
Plant & Equip. Tools & Equipment	23.02	0.33	0.00	22.60	0.09	0.08	0.01	22.68	99%
Office Furniture	3.48	-	0.00	3.48	-	-	-	3.48	100%
Vehicles Freehold. Others	2.39	0.17	-	2.22	-	-	-	2.22	93%
Electric installation	74.89	2.46	-	64.24	8.19	7.41	0.78	71.65	96%
Office Appliances. Others	2.09	0.18	0.02	1.61	0.28	0.26	0.02	1.87	90%
Furniture & Fixtures: Other Than Trolley	3.38	0.18	-	2.70	0.50	0.44	0.06	3.14	93%
Furniture & Fixtures: Trolleys	1.09	-	0.00	1.09	-	-	-	1.09	100%
Plant & Equipment-X.BIS	20.24	-	-	20.24	-	-	-	20.24	100%
Vehicles Freehold. CFT & Fire Fighting	18.47	-	-	18.47	-	-	-	18.47	100%
Total	471.09	15.36	9.12	378.18	68.44	62.61	5.83	440.78	93.57%

In view of the above, the total Gross block of Aeronautical assets has been worked out as on April 1,2023 is ₹ 440.78 crores (which excludes Financing Allowance of ₹ 16.65 Crores).

AAI's submission on Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period

6.3 Capital expenditure for the Second Control Period

6.3.1 AAI has proposed capital expenditure of ₹ 1,738.22 Crores for the Second Control Period for Bhubaneswar International Airport, which has been summarized in the table below:

Table 31: Summary of Capital Expenditure projects submitted by AAI for Bhubaneswar International Airport for the Second Control Period

(In Crores)		
No.	Particulars	Amount
1	Building- Terminal	839.14
2	Runways/taxiways/Aprons	108.87
3	Electrical Installations-Non Solar	473.78
4	Electrical Installations-Solar	41.24
5	Other Buildings	29.52
6	Plant & Machinery	15.62

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

No.	Particulars	Amount
7	Roads, Bridges & Culverts	4.05
8	Tools & Equipment	0.66
9	X Ray Baggage System	3.70
	Capital expenditure proposed for the Second Control Period	1,516.57
	IDC	-
	Financing allowance (FA)	221.65
	Total (including FA)	1,738.22

Authority’s examination of Capital Expenditure (CAPEX) for the Second Control Period

6.3.2 The Authority while analyzing the Aeronautical Expenditure proposed by AAI for the Second Control Period, has appropriately rationalized the proposed CAPEX taking into cognizance of the essentiality and necessity of the CAPEX which is absolutely required for the smooth operation of the Airport as explained in the following paragraphs.

The independent consultant appointed by the Authority has evaluated each capital item on the basis of the requirement and justifications provided by AAI.

6.3.3 The Authority notes that AAI has not conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure proposed to be undertaken at Bhubaneswar International Airport for the Second Control Period. However, it is pertinent to note that the majority of the projects proposed by AAI for the Second Control Period pertain to those that were approved in the First Control Period and shifted to the Second Control Period. The Authority expects AAI to conduct an AUCC meeting in accordance with the AERA Guidelines, 2011 and obtain inputs from all the stakeholders with respect to any new CAPEX/ major revisions to the CAPEX proposed in the First Control Period and which has been shifted to the current Control Period at Bhubaneswar International Airport.

6.3.4 The capital additions proposed by AAI for the Second Control Period have been segregated into the following categories:

- A. Capital Addition projects shifted from the First Control Period to the Second Control Period.
- B. Capital Addition projects proposed by AAI for Bhubaneswar International Airport for the Second Control Period.

6.3.5 The Authority notes that AAI had subsequently vide email dated November 1, 2023 had revised the projection for the following capital addition projects.

- i. Construction of Isolated Aircraft Parking Position at Bhubaneswar Airport.
- ii. Improvements in Pavement-Turn pad

The Authority based on its site visit through its Independent Consultant and review of the documents submitted by AAI has included the revised projections submitted by AAI for its further analysis of the CAPEX proposed by AAI for the Second Control Period:

Table 32: Project wise Capital Expenditure submitted by AAI for Bhubaneswar International Airport for Second Control Period

(in Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total CAPEX (incl. FA)
A. Capital additions projects shifted from the First Control Period to the Second Control Period					
A1.	Runways/ Taxiways/Aprons				
	i. Construction of Parallel taxi Track, Rapid Exit Taxi Way and Apron for parking of 08 nos. Code C aircraft at Bhubaneswar Package: Phase-II	2023-24	65.50	2.97	68.47
	ii. Widening of vehicular lane on the airside of Terminal 2	2023-24	0.50	-	0.50
A2.	Roads, Bridges & Culverts				
	i. Annual Contract for minor capital work in operational area at Bhubaneswar International Airport. (SH: Widening and strengthening of road in operational area)	2023-24	2.20	-	2.20
	ii. Resurfacing of internal Roads of Residential Colony-Bhubaneswar International Airport	2023-24	0.24	-	0.24
A3	Building- Terminal				
	i. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar	2023-24	59.14	9.15	68.29
	ii. Construction of New Domestic Terminal (T3) Building at Biju Patalki International Airport, Bhubaneswar. (65% Civil)	2027-28	780.00	189.43	969.43
A4	Other Building				
	i. Construction of Fire Station category IX & emergency medical centre-Civil work	2023-24	13.83	3.69	17.52
	ii. Constructions of E&M workshop	2023-24	14.65	2.77	17.42
	iii. Provision of profile sheet canopy at VIP & TP gate at B.P.I. Airport, Bhubaneswar	2023-24	0.33	-	0.33
	iv. Annual Contract for minor capital work in operational area at Bhubaneswar International Airport. SH: Construction of 07nos. of watch tower.	2023-24	0.30	-	0.30
	v. Supply & Installation of Frangible Hut for bird watching in Operational area at Airport Bhubaneswar	2023-24	0.21	-	0.21
	vi. Construction of 33KV ICOG Panel room at B.P.I. Airport, Bhubaneswar. SH: (Civil Works).	2023-24	0.20	-	0.20
A5	Electrical Installations-Non-Solar				

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

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total CAPEX (incl. FA)
	i. Const. of Fire Station category IX & emergency medical centre-Civil work	2023-24	3.22	-	3.22
	ii. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar	2023-24	28.06	-	28.06
	iii. Construction of New Domestic Terminal (T3) Building at Biju Patalki International Airport, Bhubaneswar. (35% electrical)	2027-28	420.00	-	420.00
	iv. Hangar apron illumination	2023-24	0.50	-	0.50
	v. SITC of AHF cum Hybrid APFC panel for substation at B.P.I. Airport, Bhubaneswar	2023-24	0.30	-	0.30
	vi. SITC of LT Panel for commercial shops etc. at T-1 Building	2023-24	0.95	-	0.95
	vii. SITC of 2x250 KVA UPS for providing 15 minutes back up to all essentials loads at T1 Building.	2023-24	1.50	0.05	1.55
	viii. SITC of Electric car battery charging at T1 and T2 car parking area.	2025-26	1.50	-	1.50
	ix. SITC of Smoke cabin for T1 and T2 terminal building.	2024-25	1.00	0.07	1.07
	x. Re-location of CCR & Re-routing of GLF cables at New CCR room with ALCMS at B.P.I. Airport, Bhubaneswar.	2023-24	4.50	-	4.50
	xi. Improvement of lighting for T1 terminal building and street light	2024-25	0.50	-	0.50
	xii. SITC of Energy Efficient pumps and pump automation for BBSR Airport	2026-27	1.00	0.14	1.14
	xiii. Replacement of cooling towers of AC plant T1	2027-28	6.00	-	6.00
	xiv. SITC of prepaid electricity billing system for all vendors at BIA	2026-27	0.25	-	0.25
	xv. Replacement of AC plant T1	2027-28	2.50	-	2.50
	xvi. Replacement of AHU for T1 building	2027-28	2.00	0.16	2.16
A6	Electrical Installations-Solar				
	Provision of 4.0 MWp (DC) ground mounted solar power plant at BPI Airport, Bhubaneswar 1.3	2023-24	41.24	6.58	47.82
	Total - A		1,452.12	215.01	1,667.13
B. New Capital Addition projects proposed by AAI for the Second Control Period					
B1	Runways/ Taxiways/Aprons				
	i. Conversion of Category I Lighting to Category II Lighting System & Resurfacing of Runway at BPI Airport, Bhubaneswar.	2024-25	41.67	6.54	48.21

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

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total CAPEX (incl. FA)
	ii. Construction of Isolated Aircraft Parking Position at Bhubaneswar International Airport. SH: Civil & Electrical Works	2023-24	6.58	0.05	6.63
B2	Roads, Bridges & Culverts				
	i. Improvements in Pavement-Turn Pad	2023-24	4.22	0.05	4.27
B3	Plant & Machinery				
	i. Self-Drop Bag (Qty-2)	2023-24	0.80	-	0.80
	ii. NLJD (Qty-1)	2023-24	0.12	-	0.12
	iii. Body Scanner (Qty-4)	2024-25	13.20	-	13.20
	iv. SCCTV (Qty-1)	2027-28	1.50	-	1.50
B4	Tools & Equipment				
	i. ETD (Qty 3 + Qty 2)	2023-24	0.36	-	0.36
	ETD (Qty 3 + Qty 2)	2025-26	0.24	-	0.24
	ii. DFMD (Qty-3)	2023-24	0.06	-	0.06
B5	X Ray Baggage System				
	RB XBIS (Qty-5+1 Qty)	2024-25	1.75	-	1.75
	RB XBIS (Qty-5+1 Qty)	2026-27	0.35	-	0.35
	HB XBIS (Qty-5+Qty 2+ Qty 1)	2023-25	1.40	-	1.40
	HB XBIS (Qty-5+Qty 2+ Qty 1)	2026-27	0.20	-	0.20
	Total - B		72.45	6.64	79.09
Capital expenditure proposed for the Second Control Period (A+B)			1,524.57	221.65	1,746.22

6.3.6 The Authority's examination of the major Capital Expenditure projected for the Second Control Period has been explained in detail in the ensuing paragraphs. During the detailed analysis, the Authority notes that there are projects which are in planning stage whereas there are other projects, wherein requisite details are not available and for some projects the capitalization have been proposed in the last tariff year i.e. FY 2027-28. Considering the above factors, the Authority has considered some projects on actual incurrence basis and some projects have been shifted to the next Control Period.

A1 – Runways, Taxiways & Apron –

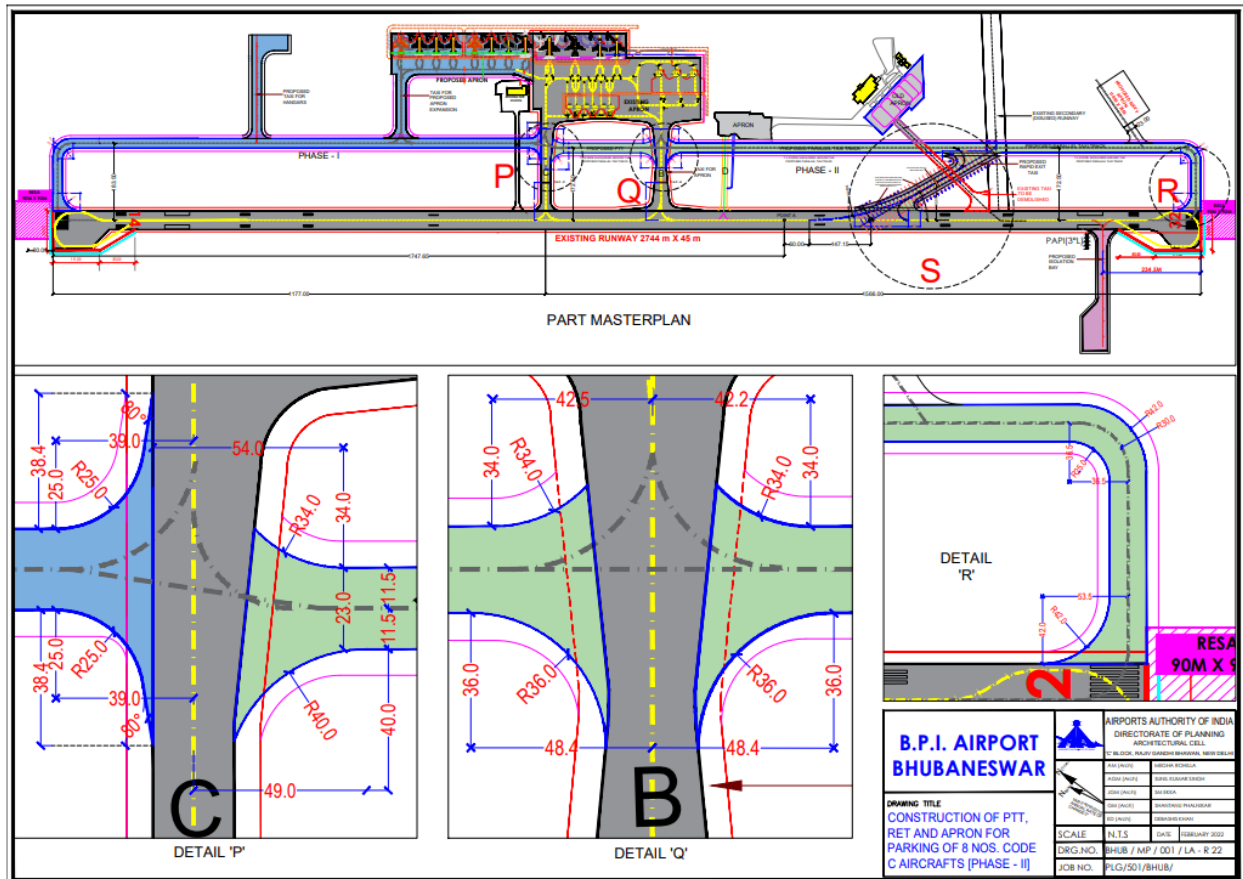
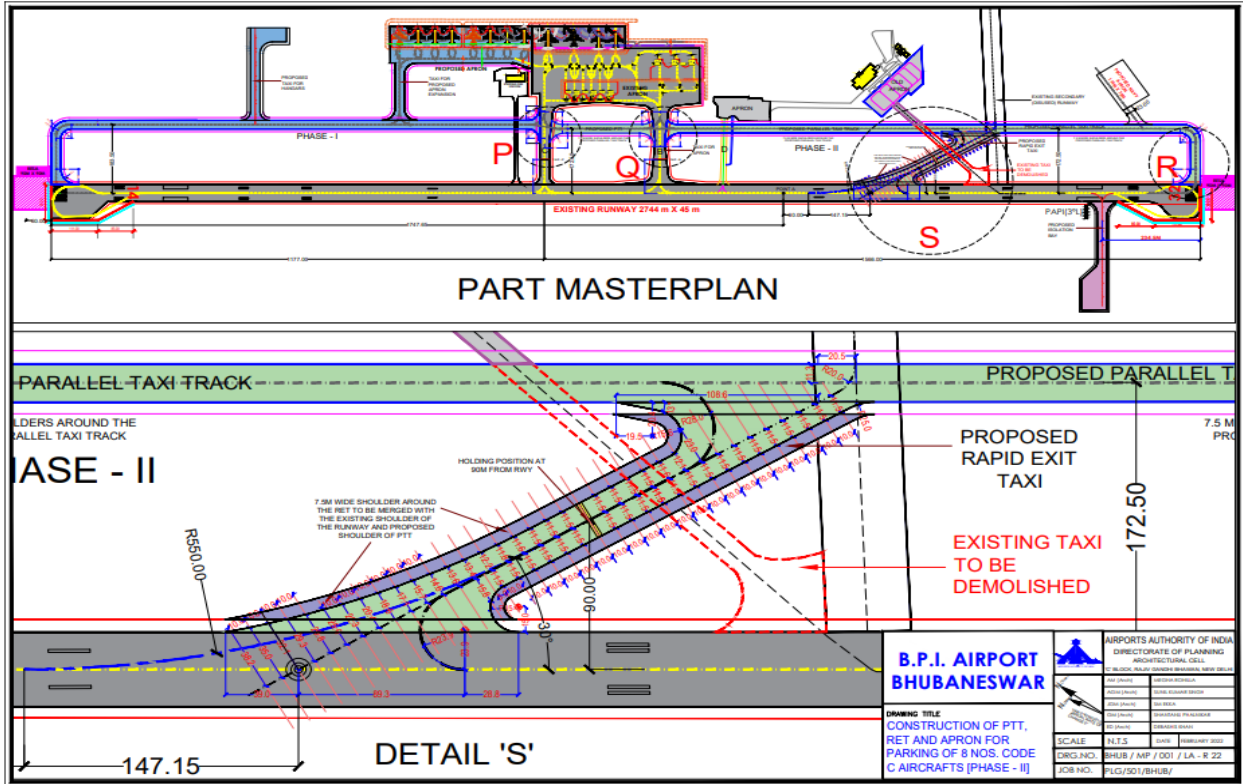
i. Construction of PTT, Rapid Exit Taxiway and Apron for Parking of 08 numbers of Code C aircraft. Phase-II

The Authority notes that the project relating to the construction of Parallel Taxi Track, Rapid Exit Taxiway and Apron for parking of 8 Code C aircraft had been approved in the First Control Period for Bhubaneswar International Airport. AAI had proposed to carry out this project in two phases, at a sanctioned costs of ₹147.08 Cr. (Phase I amounting to ₹65.65cr and Phase II - ₹81.43cr). Phase I of the project was completed in FY 2022-23, however, the Phase II could not be executed in the First Control Period.

Further, AAI has projected ₹ 65.50 Cr. towards Civil works and electrical works in the MYTP with respect to Phase II of the above project. The Authority further notes that the civil work for the

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Phase-II of the project has been awarded by AAI for ₹47.95 Cr (excluding GST) and the work is in progress. The layout of the projected work, submitted by AAI is as follows:



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The Authority has derived the normative costs of Taxiway, which is as follows:

Table 33: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Taxiway for Bhubaneswar International Airport

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
Taxiway (A)	4,700									
WPI Index (B)*	109.70	111.6	114.9	119.8	121.8	123.4		-	-	-
Inflation ** (D)		1.73%	2.96%	4.26%	1.67%	1.31%	7.14%#	9.42%	0.30%	4.10%
Inflation adjusted Rate per Sq.m. (in ₹)	4,700	4,781	4,923	5,133	5,218	5,287	5,664	6,198	6,217	6,472
Rate per Sqm incl. GST @ 6% (refer Note below)										6,860

* 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%

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.

The Authority has derived the allowable costs of the Phase II of this project, by considering the Normative cost of Civil Works and the Technically sanctioned amount for Electrical Works and the same is detailed in the table below:

Table 34: Cost of Phase II of PTT and other works proposed by the Authority for Bhubaneswar International Airport

(in ₹Crores)

Work	Cost proposed by AAI	Cost with Normative rate	Cost proposed to be considered by the Authority
Civil Work			
i. Civil works above subgrade.	65.50	53.51	53.51
ii. Add cost of works below subgrade	-	4.79	4.79
iii. Add for Dismantling and disposal- existing pavement	-	0.18	0.18
Total for Civil Works (i+ii+iii)	65.50	58.48	58.48
Electrical Works		1.65*	1.65*
Total	65.50	60.13	60.13

*As per Technical Sanction.

The Authority proposes to consider ₹ 60.13 Cr towards Phase II of this Project, as shown in Table 34 for capitalisation in FY 2024-25. The said work is in progress and at this stage the likely completion

cost may not be ascertained. Therefore, the cost will be trued up based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.

ii. Widening of vehicular lane in airside of Terminal 2

The Authority observes that this work was necessitated to smoothen the two- way vehicular movement at the airside of T2. AAI had projected the cost of this project as ₹0.50cr, which the Authority considers to be reasonable.

A2 – Road, Bridges & Culverts:

i. Widening and Strengthening of roads in operational area

The Authority notes that the purpose of this project is to widen and strengthen some of the roads in the operational area so as to facilitate smooth the movement of crash fire tenders in the operational area. Based on the assessment during the site visit through its Independent Consultant, the Authority notes that the project may be completed by March 2024 and the projected costs of ₹2.20cr is justifiable.

ii. Resurfacing of internal Roads of Residential Colony

The Authority observes that this project work was needed for strengthening and widening the roads in the residential colony to smoothen the vehicle movement. AAI has projected ₹ 0.24 Cr and had completed this in FY 2023-24. Based on the above factors the Authority considers the cost of this project to be reasonable.

A3 – Building- Terminal:

i. Construction of Link Building between Terminal T1 & T2 for integrated operations using passenger boarding bridge facility and expansion/renovation work of T2. (includes Electrical installation given in para A5 (ii))

The Authority notes that the AO has submitted ₹ 59.14 Cr. for Civil works and ₹ 28.06 Cr. for electrical works in the MYTP, towards this project which comprises of constructing a link building connecting Terminals T1 and T2 (so as to facilitate the Transfer passenger movement smoothly) as well as modifications in T2. The capacity in the Link Building can be utilised for Domestic and International operations.

The Authority notes that this project was approved in the First Control Period for ₹87.21cr, and was proposed to be completed by FY 2020-21. However, this project got delayed due to Covid-19 pandemic and other contractual issues. AAI has then proposed completion of this project in December 2023. However, the Authority based on the site visit through its Independent Consultant, notes that the works relating to the proposed modifications and renovations in T2 may be completed in September 2024 and therefore, proposes to consider capitalization of this project of ₹ 87.21cr in FY 2024-25.

ii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport (includes Electrical installation given in para A5 (iii))

The Authority notes that, in the First Control Period, AAI had proposed for the construction of a New Terminal Building (T3) with an area of 78,800 sqm having a designed capacity of 4.25 MPPA, which was approved by the Authority for capitalisation in FY 2022-23.

The AAI has submitted that the project on construction of T3 could not be initiated due to COVID-19 Pandemic and GoI's proposal to privatise the Airport (as explained in para 4.4.5 A1). AAI has

proposed completion of this project in the Second Control Period (in October 2027) at an estimated cost of ₹ 1,200 Cr. (₹780 Cr. towards Civil works and ₹420 Cr towards Electrical Installations).

The Authority has examined the proposals and other documents submitted by AAI towards construction of T3 and observes the followings:

- a. AAI has submitted the proposal to MoCA for Public Investment Board (PIB) approval in December 2019. On the directions of MoCA, AAI has updated the Detailed Project Report (DPR) and submitted the same to MoCA for obtaining PIB approval in December 2020. However, upon enquiry from AAI on various occasions, it was conveyed that the approval is still awaited from MoCA.
- b. AAI has planned to award the EPC contract by July 2024, subject to PIB clearance and proposed completion of the construction by July 2027 and commissioning of T3 by October 2027.
- c. The Authority notes that as per the timeline/milestones defined in the DPR, approx. 6 months is needed for completion of the pre- award of the tender and further 36 months is needed for completion of construction of T3. It is pertinent to note that around 3 to 6 months may be needed for commissioning of the Terminal Building. Therefore, cumulatively a minimum of 4 years is needed for completion of this project, after obtaining the PIB approval.
- d. AAI has submitted that the combined designed capacity of T1 and T2 as 4.4 MPPA. The Authority notes that with the commissioning of Link Building connecting T1 and T2, along with swing gate arrangement, additional PBBs and further modifications planned in T1, the capacity of T1 and T2 may increase further.

AAI has further informed that, after addition of Link Building and reconfiguration of the existing Terminal Building, the capacity will be enhanced to 8.50 mppa.

Subsequently, AAI vide email dated December 5, 2023 had confirmed that this project on construction of Terminal Building is proposed to be completed and commissioned only in the Third Control Period.

Based on the above factors and taking cognizance of the above email from AAI, the Authority proposes to shift this project to the next Control Period.

A4 – Other Building:

i. Construction of Fire Station CAT- IX and Emergency Medical Centre (includes Electrical installation given in para A5 (i))

AAI has proposed ₹13.83 Cr. for Civil works and ₹3.22 Cr. for electrical works with respect to construction of Fire Station CAT IX and Emergency Medical Centre. The Authority notes that these works were approved in the First Control Period for ₹17 Cr. The Authority through the site visit by its Independent Consultant notes that these works had been completed but were not commissioned due to non-completion of certain other associated works.

AAI has proposed capitalization of this project in March 2024, which the Authority also proposes to consider for capitalization in FY 2023-24.

ii. Construction of E & M Workshop

The Authority notes that this project was approved in the First Control Period for ₹14.65 Cr. The Authority through the site visit by its Independent Consultant notes that the works had been

completed but were not commissioned due to non-completion of certain other aligned works.

AAI has proposed capitalization of this project in March 2024, which the Authority also proposes to consider for capitalization in FY 2023-24.

iii. Other associated projects (A4 (iii) to A4 (v))

The Authority observes that there are other minor projects proposed by AAI as part of 'Other Building' such as Provision of profile sheet canopy at VIP gate, Annual Contract for minor capital work in operational area and Supply & Installation of Frangible Hut for bird watching in Operational area totaling to ₹ 0.84 Cr. The Authority notes that these are essential operational requirements of the Airport and proposes to consider the same for capitalization in FY 2023-24.

vi. Construction of 33KV ICOG panel room - Civil Works

AAI has submitted civil work construction of 33KV ICOG panel room for ₹ 0.20 Crores for capitalization in FY 2023-24. However, details of this work have not been provided by AAI. Therefore, the Authority proposes to consider this project for capitalization in FY 2024-25.

A5 – Electrical Installations – Non-Solar

iv. Hangar Apron Illumination

The Authority notes that the Construction of Hangar was completed along with Apron and Link Taxiway. The Authority also agrees with the view of AAI that proper lighting is needed for performing maintenance works on the Aircraft parked on the Apron. The AAI has proposed the illumination of Hangar Apron with LED Flood lights for ₹ 0.50 Cr. for capitalization in FY 2023-24. However, the work is yet to be awarded by AAI and no details regarding the same is available with AAI. Based on the above factors, the Authority proposes to consider capitalization of this project in FY 2024-25.

v. SITC of AHF cum Hybrid APFC panel for Substation

The Authority from AAI's submission notes that installation of AHF cum Hybrid APFC panel in Substation can improve the Power Factor and optimize the energy consumption. The AAI proposed this project for ₹ 0.30 Cr. for capitalization in FY 2023-24. However, the Authority notes that the work is in planning stage and no details are currently available with AAI. Based on the above factors, the Authority proposes to consider capitalization of this project in FY 2024-25.

vi. SITC of Low Tension LT panel for Commercial shops at T1

The Authority from AAI's submission notes that providing a separate Low Tension (LT) panel offers advantages in terms of maintenance, safety, flexibility, fault isolation and compliance with standards. It allows for a more organised and efficient management of the low voltage part of the electrical infrastructure. The Authority notes that by providing a separate LT panel for the Commercial shops, the efficiency of maintenance of high voltage equipment in the Terminal Building can also be improved.

The AAI has proposed this project for ₹ 1 Cr. for capitalisation in FY 2023 -24, apportioned to aeronautical activities in the Terminal Building ratio of 95:5. However, this project is currently under planning stage and no details are available with AAI. Based on the above factors, the Authority proposes to consider capitalization of this project in FY 2024-25 and also apportioned to aeronautical activities in the Terminal Building ratio of 92:8.

vii. SITC of 2 x 250 KVA UPS for providing 15 minutes back up

The Authority notes that detailed estimate of this project work amounting to ₹ 1.50 Crores is not available with AAI and hence therefore, the Authority proposes to consider this CAPEX for capitalization in FY 2024-25, instead of FY 2023-24 as proposed by AAI.

viii. SITC of Electric Vehicle Battery Charger

The Authority notes that this asset of ₹ 1.50 Crores is proposed to be used in the Car Parking area and the same needs to be categorized as a Non-aeronautical asset. Therefore, the Authority proposes to exclude this asset from RAB.

ix. SITC of Smoke Cabin

The Authority notes that separate Smoking areas with appropriate smoke exhaust is generally provided in the Airports. AAI has proposed Smoke Cabin amounting to ₹1 Cr. for capitalisation in FY 2024-25. The Authority observes that the work has been awarded by AAI for this project for ₹0.70 Cr. and the same is reserved only for the passengers. Based on the above factors, the Authority proposes to consider this project for ₹0.70 Cr. for capitalization in FY 2024-25.

x. Re- location of Constant Current Regulator (CCR) & Re-routing of Ground Light Facility (GLF) cables

The Authority notes that the subject work is an operational requirement to improve the efficiency of GLF. The AAI has proposed this project for ₹ 4.50 Cr. for capitalisation in FY 2023-24.

Further, the Authority notes that AAI has awarded this work for ₹ 3.10 Cr. with proposed capitalization in FY 2023-24. Based on the above factors, the Authority proposes to consider this project for ₹ 3.10 Cr. for capitalization in FY 2023-24.

xi. Improvement of lighting for T1 and street light

The Authority notes that AAI has proposed improvement of lighting for T1 and street light for ₹0.50 Cr for capitalization in FY 2024-25. However, this project is under planning stage and no detailed estimate is currently available with AAI. Considering the essentiality of this project, the Authority proposes to consider the same for capitalization in FY 2024-25.

xii. SITC of Energy Efficient Pumps

The Authority observes that the subject work is for saving energy, which forms part of Environment Management System. The Authority notes that AAI has proposed replacement of water pumps with energy efficient pumps at a projected costs ₹1 Cr. for capitalisation in FY 2026-27. However, this project is under planning stage and no detailed estimate is currently available with AAI. Considering the essentiality of the project, the Authority proposes to consider the same for capitalization in FY 2026-27.

xiii. Replacement of Cooling towers of AC Plant at T1

The Authority notes that AAI has proposed replacement of Cooling towers of AC Plant in T1 with ₹ 6 Cr. capitalization in February 2028. However, this project is under planning stage and no detailed estimate is currently available with AAI. The Authority through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposes to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project has been proposed by AAI only in the last tariff year and is currently under planning stage. The actual costs incurred by AAI during the current control period towards this project, would be assessed by the Authority based on efficiency and reasonableness, and trued up

during the determination of tariff for the next Control Period.

xiv. SITC of prepaid electricity billing system for all vendors

The Authority observes that prepaid electricity billing system are needed for billing the Concessionaires for the electricity used by them. AAI has proposed ₹ 0.25 Cr. towards capitalization of this asset in FY 2026-27 and the Authority proposes to consider the same.

xv. Replacement of AC Plant T1

The Authority notes that AAI has proposed for replacement of AC Plant in T1 for ₹ 2.50 Cr, for capitalization in February 2028. However, this project is under planning stage and no detailed estimate is currently available with AAI. The Authority through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposes to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project has been proposed by AAI only in the last tariff year and is currently under planning stage. The actual costs incurred by AAI during the current control period towards this project, would be assessed by the Authority based on efficiency and reasonableness and trued up during the determination of tariff for the next Control Period.

xvi. Replacement of AHU for T1

The Authority notes that AAI has proposed replacement of AHU for T1 for ₹ 2 Cr. with capitalization in February 2028. However, this project is under planning stage and no detailed estimate is currently available with AAI. The Authority through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposes to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project has been proposed by AAI only in the last tariff year and is currently under planning stage. The actual costs incurred by AAI during the current control period towards this project, would be assessed by the Authority based on efficiency and reasonableness and trued up during the determination of tariff for the next Control Period.

A6 – Electrical Installations-Solar –

Provision of 4 MWP Solar Plant

The Authority notes that this project was approved in the First Control Period for ₹ 41.24 Cr. The Authority through the site visit by its Independent Consultant notes that the project work had been completed and the Solar system had been commissioned in December 2022. However, the Solar System is subject to Performance Ratio (PR) testing, which is expected to be completed by December 2023. The actual cost of this Solar Plant amounts to approx. ₹ 20.58 Cr. Based on the above factors, the Authority proposes to consider the actual cost of the asset for capitalization in FY 2023-24.

B. New Capital Addition projects proposed by AAI for the Second Control Period

B1 - Runways, Taxiways & Apron –

i. Conversion of CAT-I Lighting System to CAT-II

The Authority notes that AAI has proposed this project for ₹41.67 Cr. in the MYTP. Further, the sanction (A/A & E/S) for this project has been granted, along with the project on Resurfacing of Runway and the sanctioned amount for this project is ₹36.24 Cr. The Authority, further notes that works relating to Runway Resurfacing and for Conversion of CAT-I Lighting System to CAT-II.

have been awarded separately.

However, the cost of Civil work (approx. ₹ 7.1 Cr.) related to this project on Lighting System has been included along with the work on Runway Resurfacing and the amount awarded towards Electrical works for this project is ₹18.33 Cr. (excluding GST). Based on the above factors, the Authority has derived the projected cost of this project as ₹ 29 Cr. Based on the assessment of the project through the site visit by its Independent Consultant and the letters of work award issued by AAI, the Authority proposes to consider capitalization of this project in December 2024.

ii. Construction of Isolated Aircraft Parking Position (IAPP) at Bhubaneswar Airport

At present there is no Isolated Parking bays available at Bhubaneswar airport and Runway 05 Turning Pad has been designed as IAPP. As per BCAS guidelines every airport shall have a separate Isolation Bay, away from the active areas. Accordingly a proper location, at South East side, had been identified by AAI and the work has been taken up. The total area of the IAPP is 10,890 sqm including Link Taxiway and is designed to park one B767-200(Code-D)

The Authority observes that this work has been projected by AAI for ₹ 6.58 Crores and the same has been completed. Based on the above factors, the Authority proposes to consider capitalization of this project in FY 2023-24.

B2 - Roads, Bridges & Culverts

i. Expansion of Turning Pads at both ends of Runway 14-32

The Authority notes that for enabling the Runway suitable for operation of B777-300ER the Turning Pads of the Runway are required to be widened. Through the site visit by its Independent Consultant, the Authority notes that this project has been completed in FY 2023-24 and the projected costs of ₹ 4.22 Cr. is justifiable.

B3 – Plant & Machinery –

i. Self-Drop Bag

The Authority notes that this facility is available in all Major Airports and the same is required for enhancing passenger convenience, reduce check - in queues and congestion. The Authority notes that AAI has projected ₹ 0.80 Cr. for procurement of 2 Nos. of Self Drop Bag in the FY 2023-24. Considering it as a passenger facilitation measure, the Authority proposes to consider the same for capitalization in FY 2023-24.

iii. Body Scanner

The Authority notes that BIA is categorised as a sensitive airport and as per BCAS guidelines Full Body Scanners (FBS) to be provided in hypersensitive and sensitive airports.

AAI has proposed to capitalize 4 numbers of FBS for ₹ 13.20 Cr in FY 2024-25.

The Authority is of the view that Body Scanner is a relatively new technology and the same can be implemented in a phased manner. Based on the above factors, the Authority proposes to consider capitalization of 2 numbers of FBS for ₹6 Cr (in line with the cost considered by the Authority for other similar airports) in FY 2025-26.

iv. SCCTV

The Authority notes that SCCTV is an essential requirement of Airport Security and Surveillance. However, an SCCTV system is already available at BIA. The Authority notes that AAI projected ₹ 1.50 Cr. in FY 2027-28 to procure 1 no of SCCTV and details are not available. The Authority

through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposes to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project has been proposed by AAI only in the last tariff year and is currently under planning stage. The actual costs incurred by AAI during the Current Control Period towards this project, would be assessed by the Authority based on efficiency and reasonableness and tried up during the determination of tariff for the next Control Period.

B4 – Tools & Equipment

i. Explosive Trace Detectors (ETD)

The Explosive Trace Detectors are essential security equipment in airports, as per BCAS guidelines. AAI has projected 3 numbers of ETDs in FY 2023-24 for ₹ 0.36 Cr. and 2 numbers in FY 2025-26 for ₹ 0.24 Cr. However, no work order has been issued by AAI. Considering the essentiality of the equipment, particularly at sensitive airport like Bhubaneswar and the procurement cost of such equipment in other similar airports, the Authority proposes to consider the above Capital Expenditure for capitalization in FY 2024-25 and 2026 -27 respectively.

B5 – X Ray Baggage System –

X-BIS

The Authority notes that AAI has projected 6 numbers of RB X-BIS and 8 numbers of HB X-BIS in the MYTP amounting to ₹ 3.70 Crores. As a security related requirement and for the purpose of decongestion of airport, the Authority proposes to consider the projection for 6 numbers of RB X-BIS as proposed by AAI. Also, the Authority proposes to consider 8 numbers of HB X-BIS, as submitted by AAI for the Second Control Period.

- 6.3.7 The Authority notes that AAI for Bhubaneswar International Airport has claimed Financing allowance of ₹ 221.65 Crores, as part of CAPEX proposed for the Second Control Period. The Authority has examined the AAI's claim towards Financing Allowance in detail and the views of the Authority in this regard may be referred to in para no. 4.4.7. Accordingly, the Financing allowance has not been allowed by the Authority in respect of CAPEX allowed for the Second Control Period.
- 6.3.8 The Authority notes that AAI has not implemented the certain major capital projects pertaining to Construction of T3 (as explained in para 4.4.5), which has been shifted to the Current Control Period. Keeping in view the delays in the execution of the approved capital projects, the Authority proposes to adjust 1% of the uncanceled project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, while determining tariffs for the next Control Period. It is further proposed that if the delay in completion of the project is beyond the timeline vis-à-vis the capitalization schedule, due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while trying 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 AAI.
- 6.3.9 The Authority further notes that AAI has submitted an average Terminal Building ratio of 95.01%: 4.99% for Bhubaneswar International Airport, for the Second Control Period, based on the actual commercial area let out during the FY 2022-23, for apportionment of common assets/ expenses for the current Control Period.

Considering the passenger profile at the Airport, the Authority is of the view that the Terminal Building

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ratio of 4.99% (Non-aeronautical area to total area) is lesser as compared to the other similar airports such as Varanasi, Amritsar, Trichy, Calicut and Raipur. Therefore, the Authority proposes to consider the Terminal Building ratio of 92%:8% (Aeronautical: Non-aeronautical) as reasonable for apportionment of common assets within the Terminal Building and common O&M expenses for the Second Control Period, in line with the optimum Non-aeronautical area allocation of 8%-12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) and that approved by AERA for other similar airports.

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

Table 35: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period
(₹ Crores)

S. No.	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI in revised MYTP and on Nov 1, 2023	Proposed by Authority	Submitted by AAI in revised MYTP and on Nov 1, 2023 (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
A. Capital additions projects shifted from the First Control Period to the Second Control Period						
A1.	Runways/ Taxiways/Aprons					
	i. Construction of Parallel taxi Track, Rapid Exit Taxi Way and Apron for parking of 08 nos. Code C aircraft at Bhubaneswar Airport Package: Phase-II	2023-24	2024-25	65.50	60.13	5.37
	ii. Widening of vehicular lane in airside of Terminal 2	2023-24	2023-24	0.50	0.50	-
A2.	Roads, Bridges & Culverts					
	i. Annual Contract for minor capital work in operational area at Bhubaneswar Airport. (SH: Widening and strengthening of road in operational area)	2023-24	2023-24	2.20	2.20	-
	ii. Resurfacing of internal Roads of Residential Colony-Bhubaneswar	2023-24	2023-24	0.24	0.24	-
A3	Building- Terminal					
	i. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar	2023-24	2024-25	59.14	59.14	-
	ii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport, (65% Civil)	2027-28	-	780.00	-	780.00
A4	Other Building					
	i. Construction of Fire Station category IX & emergency medical centre-Civil work	2023-24	2023-24	13.83	13.83	-
	ii. Constructions of E&M workshop	2023-24	2023-24	14.65	14.65	-
	iii. Provision of profile sheet	2023-24	2023-24	0.33	0.33	-

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

S. No.	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI in revised MYTP and on Nov 1, 2023	Proposed by Authority	Submitted by AAI in revised MYTP and on Nov 1, 2023 (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	canopy at VIP & TP gate at Bhubaneswar Airport					
	iv. Annual Contract for minor capital work in operational area at Bhubaneswar Airport. SH: Construction of 07nos. of watch tower.	2023-24	2023-24	0.30	0.30	-
	v. Supply & Installation of Frangible Hut for bird watching in Operational area at Bhubaneswar Airport.	2023-24	2023-24	0.21	0.21	-
	vi. Construction of 33KV ICOG Panel room at Bhubaneswar Airport. SH: (Civil Works).	2023-24	2024-25	0.20	0.20	-
A5	Electrical Installations-Non-Solar					
	i. Const. of Fire Station category IX & emergency medical centre-Civil work	2023-24	2023-24	3.22	3.22	-
	ii. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar	2023-24	2024-25	28.06	28.06	-
	iii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport. (35% electrical)	2027-28	-	420.00	-	420.00
	iv. Hangar apron illumination	2023-24	2024-25	0.50	0.50	-
	v. SITC of AHF cum Hybrid APFC panel for substation at Bhubaneswar Airport.	2023-24	2024-25	0.30	0.30	-
	vi. SITC of LT Panel for commercial shops etc. at T-1 Building	2023-24	2024-25	0.95	0.92	0.03
	vii. SITC of 2x250 KVA UPS for providing 15 minutes back up to all essentials loads at T1 Building.	2023-24	2024-25	1.50	1.50	-
	viii. SITC of Electric car battery charging at T1 and T2 car parking area.	2025-26	-	1.50	-	1.50
	ix. SITC of Smoke cabin for T1 and T2 terminal building	2024-25	2024-25	1.00	0.70	0.30
	x. Re-location of CCR & Re-routing of GLF cables at New CCR room with ALCMS at Bhubaneswar Airport.	2023-24	2023-24	4.50	3.10	1.40
	xi. Improvement of lighting for T1 terminal building and street light	2024-25	2024-25	0.50	0.50	-
	xii. SITC of Energy Efficient pumps	2026-27	2026-27	1.00	1.00	-

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

S. No.	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI in revised MYTP and on Nov 1, 2023	Proposed by Authority	Submitted by AAI in revised MYTP and on Nov 1, 2023 (1)	Proposed by Authority (2)	Difference (3) = (2)-(1)
	and pump automation for BBSR Airport					
	xiii.Replacement of cooling towers of AC plant T1*	2027-28	2027-28	6.00	4.00	2.00
	xiv.SITC of prepaid electricity billing system for all vendors at BIA	2026-27	2026-27	0.25	0.25	-
	xv. Replacement of AC plant T1*	2027-28	2027-28	2.50	1.67	0.83
	xvi.Replacement of AHU for T1 building*	2027-28	2027-28	2.00	1.33	0.67
A6	Electrical Installations-Solar					
	Provision of 4.0 MWp (DC) ground mounted solar power plant at Bhubaneswar Airport	2023-24	2023-24	41.24	20.58	20.66
	Total - A			1,452.12	219.36	1,232.76
B. Capital Addition projects proposed by AAI for the Second Control Period						
B1	Runways/ Taxiways/Aprons					
	i. Conversion of Category I Lighting to Category II Lighting System & Resurfacing of Runway at Bhubaneswar Airport.	2024-25	2024-25	41.67	29.00	12.67
	ii. Construction of Isolated Aircraft Parking Position at Bhubaneswar Airport SH: Civil & Electrical Works	2023-24	2023-24	6.58	6.58	-
B2	Roads, Bridges & Culverts					
	i. Improvements in Pavement-Turn pad	2023-24	2023-24	4.22	4.22	-
B3	Plant & Machinery					
	i. Self-Drop Bag (Qty-2)	2023-24	2023-24	0.80	0.80	-
	ii. NLJD (Qty-1)	2023-24	2023-24	0.12	0.12	-
	iii. Body Scanner (Qty-4)	2024-25	2025-26	13.20	6.00	7.20
	iv. SCCTV (Qty-1)*	2027-28	2027-28	1.50	1.00	0.50
B4	Tools & Equipment					
	i. ETD (Qty 3 + Qty 2)	2023-24	2024-25	0.36	0.36	-
	ETD (Qty 3 + Qty 2)	2025-26	2026-27	0.24	0.24	-
	ii. DFMD (Qty-3)	2023-24	2023-24	0.06	0.06	-
B5	X Ray Baggage System					
	RB XBIS (Qty-5+1 Qty)	2024-25	2024-25	1.75	1.75	-
	RB XBIS (Qty-5+1 Qty)	2026-27	2026-27	0.35	0.35	-
	HB XBIS (Qty-5+Qty 2+ Qty 1)	2023-25	2023-25	1.40	1.40	-
	HB XBIS (Qty-5+Qty 2+ Qty 1)	2026-27	2026-27	0.20	0.20	-
	Total - B			72.45	52.08	20.37
Capital expenditure proposed for the Second Control Period (A+B)				1,524.57	271.44	1,253.13
Year-wise Capitalisation of Assets is as follows (₹ Crores)						

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

S. No.	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI in revised MYTP and on Nov 1, 2023	Proposed by Authority	Submitted by AAI in revised MYTP and on Nov 1, 2023 (1)	Proposed by Authority (2)	Difference (3) = (2) - (1)
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
	71.94	183.46	6.00	2.04	8.00	271.44

**The Cost of these projected has been rationalized and actuals will be tried up based on the efficiency and reasonability, at the time of the determination of tariff for the next Control Period.*

Note: The Authority proposes to consider capitalization schedule of Aeronautical expenditure for BIA for the Second Control Period as ₹ 271.44 Crores, against proposed ₹ 1,524. 57 Cr (exclusive of Financing Allowance) of AAI due to the following factors:

- i. Shifting of the project amounting to ₹ 1,200 Cr. for construction of Terminal Building T3 to the next Control Period due to the reasons as explained in para 6.3.6 (A3) (ii).
- ii. Consideration of actual CAPEX as per letter of award for some CAPEX such as Solar Plant, Parallel Taxi Track, Conversion of Category I Lighting to Category II Lighting System etc.
- iii. Rationalisation of the CAPEX of Body Scanners.

6.4 Depreciation for the Second Control Period

AAI's submission on Depreciation for the Second Control Period for BIA

- 6.4.1 Bhubaneswar International Airport follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Second Control Period for Bhubaneswar International Airport, AAI has taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders (Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by the Authority have been applied by Bhubaneswar International Airport from FY 2018-19 onwards.
- 6.4.2 Depreciation has been computed separately on opening block of assets and on the proposed additions.
- 6.4.3 The depreciation amount proposed by Bhubaneswar International Airport for the Second Control Period has been presented in the table below.

Table 36: Depreciation proposed by AAI for Bhubaneswar International Airport for the Second Control Period

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	3.35	4.15	4.96	4.96	4.96	22.38
Taxiway	1.17	2.34	2.34	2.34	2.34	10.52
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	0.95	0.85	0.85	0.85	0.85	4.34
Building- Terminal	3.15	4.28	4.28	4.28	20.42	36.42
Building - Temporary	-	-	-	-	-	-

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

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Building - Residential	0.35	0.35	0.35	0.35	0.34	1.73
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.33	0.33	0.32	0.23	0.07	1.28
Boundary Wall - Residential	-	-	-	-	-	-
Other Buildings-Unclassified	0.60	1.20	1.20	1.20	1.20	5.39
Computer & Peripherals: End User Devices	-	-	-	-	-	-
Intangible Assets- Software	0.01	-	-	-	-	0.01
Computer & Peripherals: NETWORK & SERVER	0.03	0.03	0.02	-	-	0.07
Plant & Machinery	0.80	1.27	1.71	1.70	1.74	7.24
Tools & Equipment	1.48	1.50	1.51	1.51	1.51	7.52
Office Furniture	0.50	0.50	0.50	0.37	-	1.85
Other Vehicles	0.19	0.17	0.08	-	-	0.43
Vehicle- Cars & Jeeps	-	-	-	-	-	-
Electrical Installations	5.06	6.42	6.25	6.38	27.90	52.00
Solar power -Electrical Inst.	0.96	1.91	1.91	1.91	1.91	8.61
Other Office equipment	0.10	0.04	-	-	-	0.15
Furniture & Fixtures-Other than Trolley	0.02	-	-	-	-	0.03
Furniture & Fixtures-Trolley	-	-	-	-	-	-
X Ray Baggage System	1.31	1.42	1.49	1.51	1.53	7.25
CFT/Fire Fighting Equipment	0.53	0.53	0.46	0.46	0.46	2.43
TOTAL	20.88	27.28	28.21	28.05	65.23	169.66

Authority's examination of Depreciation for the Second Control Period

- 6.4.4 The Authority notes that the Bhubaneswar International Airport has calculated the depreciation for the Second Control Period based on the useful life of the asset with the Order No.35/ 2017-18 dated January 12, 2018. The Authority has reviewed the depreciation submitted by AAI for the Second Control Period with the rates as per the Order No.35/ 2017-18 dated January 12, 2018.
- 6.4.5 Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposes the following depreciation for the Second Control Period.

Table 37: Depreciation proposed by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	2.95	3.43	3.91	3.91	3.91	18.12
Taxiway	0.12	1.24	2.24	2.24	2.24	8.07
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	1.18	1.25	1.04	1.04	1.04	5.56
Building- Terminal	2.39	3.38	4.36	4.36	4.34	18.83
Building - Temporary	-	-	-	-	-	-

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

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Building - Residential	0.37	0.36	0.36	0.36	0.36	1.81
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.32	0.30	0.30	0.30	0.23	1.44
Boundary Wall - Residential	0.31	0.31	0.25	0.00	-	0.87
Other Buildings-Unclassified	0.49	0.98	0.98	0.98	0.98	4.42
Computer & Peripherals: END USER DVICES	0.00	-	-	-	-	0.00
Intangible Assets- Software	0.00	0.00	0.00	0.00	0.00	0.01
Computer & Peripherals: NETWORK & SERVER	0.03	0.03	0.02	0.01	0.01	0.10
Plant & Machinery	0.84	0.87	1.06	1.00	1.01	4.79
Tools & Equipment	1.47	1.49	1.50	1.50	1.51	7.47
Office Furniture	0.50	0.50	0.35	0.31	0.20	1.86
Other Vehicles	0.18	0.18	0.16	0.15	0.14	0.81
Vehicle- Cars & Jeeps	-	-	-	-	-	-
Electrical Installations	3.27	4.63	5.95	6.01	6.37	26.23
Solar power -Electrical Inst.	0.41	0.82	0.82	0.82	0.82	3.70
Other Office equipment	0.07	0.05	0.01	0.00	0.00	0.13
Furniture & Fixtures-Other than Trolley	0.03	0.02	0.00	0.00	0.00	0.04
Furniture & Fixtures-Trolley	-	-	-	-	-	-
X Ray Baggage System	1.26	1.36	1.44	1.46	1.47	6.99
CFT/Fire Fighting Equipment	0.49	0.49	0.39	0.38	0.38	2.13
TOTAL	16.67	21.66	25.16	24.84	25.04	113.38

Note: The Authority proposes to consider depreciation for BIA for the Second Control Period as ₹ 113.38 Crores. The above depreciation is lesser than that proposed by AAI ₹ 169.66 Cr, due to non-consideration of certain capital projects as detailed in the footnote to Table 35.

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

AAI's submission on RAB for Bhubaneswar International Airport for the Second Control Period

6.5.1 AAI's submission on RAB for the Second Control Period for Bhubaneswar International Airport is as follows:

Table 38: RAB submitted by AAI for Bhubaneswar International Airport for the Second Control Period

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Opening RAB	215.63	462.58	500.41	473.94	447.83	
Additions	267.83	65.12	1.74	1.94	1,401.59	1,738.22
Disposal/Transfers	-	-	-	-	-	-
Depreciation	20.88	27.28	28.21	28.05	65.23	169.66
Closing RAB	462.58	500.41	473.94	447.83	1,784.19	

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

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Average RAB	339.10	481.49	487.18	460.89	1,116.01	

Authority’s examination of RAB for Bhubaneswar International Airport for the Second Control Period

- 6.5.2 The Authority proposes to adopt the capitalization of Aeronautical Expenditure in accordance with Table 35 and the depreciation amounts in accordance with Table 37.
- 6.5.3 Based on the above, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period is as follows:

*Table 39: RAB proposed to be considered by the Authority for the Second Control Period
(₹ Crores)*

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Opening RAB (1) (refer Table 11)	198.40	253.66	415.47	396.30	373.50	
Additions (2) (Refer Table 35)	71.94	183.46	6.00	2.04	8.00	271.44
Disposal/Transfers (3)	0.00	0.00	0.00	0.00	0.00	-
Depreciation (4) (refer Table 37)	16.67	21.66	25.16	24.84	25.04	113.38
Closing RAB (5) = [(1) +(2) – (3) – (4)]	253.66	415.47	396.30	373.50	356.46	
Average RAB = [(1) + (5)]/2	226.03	334.56	405.88	384.90	364.98	

The Authority proposes to consider Average RAB for the BIA for the Second Control Period as detailed in

Table 39.

6.6 Authority’s proposal regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

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

- 6.6.1 To consider allocation of Gross Block of Assets as on April 1, 2023, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 6.6.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 35.
- 6.6.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.6.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI 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 Third Control Period.

- 6.6.5 To consider Depreciation as per Table 37 for the Second Control Period.
- 6.6.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.6.7 To consider average RAB for the Second Control Period for BIA as per Table 39.
- 6.6.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

7 FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

7.1 AAI's submission on Fair Rate of Return for the Second Control Period for BIA

7.1.1 AAI submitted that Bhubaneswar International Airport would primarily utilize internally accrued funds to fund the capital expenditure that have been projected for the Second Control Period. Considering this composition of capital for the Second Control Period, AAI has submitted the projected debt and equity computation as follows:

Cost of Debt

7.1.2 The cost of debt* submitted by AAI for the FRoR calculation of the Second Control Period pertaining to Bhubaneswar International Airport is 6.57% per annum.

7.1.3 The outstanding debt* and cost of debt as submitted by AAI for the Second Control Period for Bhubaneswar International Airport is summarized in the table below:

Table 40: Debt computation for the Second Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Opening debt	15.24	14.55	12.49	10.31	8.13
Closing debt	14.55	12.49	10.31	8.13	5.96
Average Debt	14.89	13.52	11.40	9.22	7.04
Cost of Debt (%)	6.57%	6.57%	6.57%	6.57%	6.57%

* Debt of ₹ 15.23 Cr. had been availed by AAI for Bhubaneswar Airport for the First Control Period (during FY 2020-21 to FY 2022-23). Details of the same have been submitted by AAI in the Financial Model in MS-Excel spreadsheet and vide email dated December 13, 2023. However, in the MYTP submission letter (in PDF), AAI has not furnished any details regarding debt and have claimed FRoR as 14%.

Cost of Equity

7.1.4 The cost of equity as submitted by AAI for the Second Control Period is 16% per annum.

7.1.5 The equity projections of Bhubaneswar International Airport for the Second Control Period as submitted by AAI is summarized in the table below:

Table 41: Equity computation for the Second Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Equity	561.47	729.32	764.87	768.89	1,472.83
Cost of Equity (%)	16.00%	16.00%	16.00%	16.00%	16.00%

Fair Rate of Return

7.1.6 Based on the financing pattern as discussed above, AAI has computed the FRoR for the Second Control Period as summarized in the table below:

Table 42: FRoR for the Second Control Period submitted by AAI

(₹ Crores)

Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Debt	A	14.89	13.52	11.40	9.22	7.04
Equity	B	561.47	729.32	764.87	768.89	1,472.83

FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Debt + Equity	C	576.36	742.84	776.27	778.11	1,479.87
% of Debt	A/(A+B)	2.58%	1.82%	1.47%	1.19%	0.48%
% of Equity	B/(A+B)	97.42%	98.18%	98.53%	98.81%	99.52%
Cost of Debt (%)	D	6.57%	6.57%	6.57%	6.57%	6.57%
Cost of Equity (%)	E	16.00%	16.00%	16.00%	16.00%	16.00%
Gearing	F	2.52%	1.79%	1.45%	1.17%	0.47%
Weighted Average of gearing	G	1.48%				
FRoR	H= [(G*D)+(1-G)*E]	15.86%				

7.2 Authority's examination of FRoR for the Second Control Period

Cost of Equity

- 7.2.1 The Authority has analyzed the cost of equity pertaining to Bhubaneswar International Airport as submitted by AAI for the Second Control Period. The Authority notes that AAI has proposed only minimum debt for Bhubaneswar International Airport for the Second Control Period and is of the opinion that the gearing ratio is suboptimal and does not justify a cost of equity of 16 % per annum as submitted by AAI.
- 7.2.2 The Authority has drawn reference to the independent studies conducted in the past for PPP airports (such as DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore), wherein an optimal gearing ratio of 48%:52% was considered. The independent study reports had been drawn from the international experience of airports, wherein the median and average Cost of Equity was determined as 15.16% and 15.18%, respectively. However, the Authority notes that non- availing of debt by AAI for Bhubaneswar International Airport has resulted in high FRoR, which is not relatable to the above optimal gearing ratio of 48%:52%, thereby the Authority does not see any merit in AAI's claim of 16% as Cost of Equity. Therefore, the Authority proposes to consider the Cost of Equity of 14% across the Second Control Period.
- 7.2.3 Considering the changes in the capitalization plan for the Second Control Period and the cost of equity, the Authority has recalculated the equity computation of Bhubaneswar International Airport and the same has been summarized in the table below:

Table 43: Equity computation proposed to be considered by the Authority for the Second Control Period

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Equity	211.14	321.05	394.49	375.68	357.93
Cost of Equity (%)	14%	14%	14%	14%	14%

(₹ Crores)

Cost of debt

- 7.2.4 The Authority notes that AAI has availed only minimal debt during the Second Control Period and proposes to fund the capital expenditure through its internal accruals.
- 7.2.5 The Authority has recalculated the debt computation considering the total fund requirement as per the

capitalization for the Second Control Period and the same is presented in the table below:

Table 44: Debt computation proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Opening debt	A	15.24	14.55	12.49	10.31	8.13
Drawdown (additional loan taken)	B	-	-	-	-	-
Repayment	C	0.69	2.06	2.18	2.18	2.18
Closing debt	D=A+B-C	14.55	12.49	10.31	8.13	5.96
Average debt	E= (A+D)/2	14.89	13.52	11.40	9.22	7.04
Cost of debt (%)		6.57%	6.57%	6.57%	6.57%	6.57%

Fair Rate of Return (FRoR)

7.2.6 The Authority expects AAI to consider appropriate debt financing for its expansion and capitalization project, so as to optimize its overall cost of capital and FRoR, while also ensuring that its financial leverage is within reasonable limits.

The costs of equity and debt both influence the FRoR. The balance between these financing sources, their associated costs, and the overall capital structure of the entity, collectively determine the impact on the FRoR.

7.2.7 The Authority hereby recommends that AAI may follow the practice of availing 48% debt for capital projects of Bhubaneswar International Airport, as followed in other similar airports of AAI.

7.2.8 The FRoR recalculated by the Authority after considering the analysis discussed above is shown as follows:

Table 45: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Debt	A	14.55	12.49	10.31	8.13	5.96
Equity	B	211.14	321.05	394.49	375.68	357.93
Debt + Equity	C= A+B	225.69	333.53	404.80	383.81	363.89
Cost of Debt	D	6.57%	6.57%	6.57%	6.57%	6.57%
Cost of Equity	E	14%	14%	14%	14%	14%
Individual Year Gearing	F	6.45%	3.74%	2.55%	2.12%	1.64%
Weighted Average Gearing	G	3.00%				
Cost of Debt	H	6.57%				
Cost of Equity	I	14%				
FRoR	J = G*H+(1-G)*I	13.78%				

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

Based on the material before it and based on its analysis, the Authority proposes the following with regard

to FRoR for the Second Control Period:

- 7.3.1 To consider Cost of Equity at 14% as per Table 43.
- 7.3.2 To consider Cost of Debt as 6.57% as per Table 44.
- 7.3.3 To consider FRoR of 13.78% for BIA for the Second Control Period as per Table 45.
- 7.3.4 To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.

8 INFLATION FOR THE SECOND CONTROL PERIOD

8.1 AAI's submission on Inflation for the Second Control Period for BIA

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

8.2 Authority's examination on inflation for the Second Control Period

8.2.1 The Authority proposes to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 84" released on October 06, 2023 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposes to consider the mean of WPI inflation forecasts (All Commodities) for FY 2024 till FY 2028 as given in the 84th round of survey of professional forecasters on macroeconomic indicators of RBI.

8.2.2 The Authority has assumed that the inflation rate would be stable and remain constant from FY 2025 till FY 2028. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Second Control Period.

Table 46: Inflation rates proposed by the Authority for the Second Control Period for BIA

Particulars	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
WPI inflation	0.30%	4.10%	4.10%	4.10%	4.10%

8.3 Authority's proposal regarding inflation for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Inflation for the Second Control Period:

8.3.1 To consider Inflation for the Second Control Period for BIA as detailed in Table 46.

9 OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

9.1 AAI's submission on Operation and Maintenance expenses for the Second Control Period for BIA

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

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

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

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

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

9.1.5 The summary of Aeronautical O&M expenses proposed by BIA for the Second Control Period has been presented in the table below:

Table 47: Operation and Maintenance (O&M) expenditure submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Payroll Costs - Excluding CHQ/RHQ	18.85	20.17	21.58	23.09	28.86	112.54
Payroll Costs - CHQ/RHQ (retirement benefits)	0.22	0.23	0.25	0.27	0.33	1.30
Repair & Maintenance	26.36	27.49	28.73	30.10	31.60	144.29
Utilities & Outsourcing Expenses	5.95	6.22	6.51	6.81	7.14	32.62
Admin. & Other Expenses - Excluding CHQ/RHQ	12.57	14.43	15.87	17.46	19.20	79.53
Admin. & Other Expenses - CHQ/RHQ	41.50	43.58	45.76	48.05	60.06	238.95
Other Outflows	0.81	0.97	1.12	1.30	1.45	5.65
Total O&M Expenditure	106.26	113.09	119.82	127.07	148.64	614.88

9.1.6 The summary of growth rates assumed by AAI for the O&M expenses have been presented in the table below:

Table 48: Growth rates in O&M expenditure submitted by Bhubaneswar International Airport

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
Payroll Costs - Excluding CHQ/RHQ	7%	7%	7%	7%	25%

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
Payroll Costs - CHQ/RHQ	-	7%	7%	7%	25%
Utilities & Outsourcing Expenses	4%	5%	5%	5%	5%
Repair & Maintenance Expenses	-	4%	5%	5%	5%
Admin. & Other Expenses - Excluding CHQ/RHQ	-	10%	10%	10%	10%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	25%

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

Table 49: Allocation of O&M expenses submitted by AAI for Bhubaneswar International Airport for FY 2022-23

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.06%	2.94%
Payroll Costs –CHQ/RHQ	97.06%	2.94%
Repair & Maintenance – Civil	95.01%	4.99%
Repair & Maintenance – Electrical	96.00%	4.00%
Repair & Maintenance - IT	97.06%	2.94%
Utilities	100%	-
Upkeep Expenses	95.01%	4.99%
Admin. & Other Expenses - Excluding CHQ/RHQ	95.01%	4.99%
Admin. & Other Expenses - CHQ/RHQ	95%	5%
Other Outflows	100%	-

9.2 Authority’s examination of Operation and Maintenance expenses for the Second Control Period

9.2.1 The Authority has considered the data for FY 2022-23 (which is the last Tariff Year of the First Control Period) based on actuals. The Authority observes that the O&M expenses approved by AERA in the tariff order for the First Control Period for BIA was for ₹ 372.86 Crores (refer Table 16), against which actual expenses of ₹ 413.93 Crores (refer Table 15) was submitted by AAI for BIA for true up of the First Control Period. The Authority examined the above actual O&M expenses and has proposed ₹ 378.10 Crores (refer Table 19) to be trued up for the First Control Period. However, AAI has submitted its O&M expenses for Bhubaneswar International Airport for the Second Control Period as ₹ 614.88 Crores, which is 63% higher than the O&M expenses approved by the Authority for true up of the First Control Period (which is ₹ 378.10 Crores).

Allocation of O&M expenses to Aeronautical and Non-aeronautical activities

9.2.2 The Authority examined the allocation of Operational and Maintenance expenses by AAI between Aeronautical and Non-aeronautical activities for Bhubaneswar International Airport. The same is explained in the following paragraphs.

9.2.3 AAI has segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-

Aeronautical in the Employee ratio of 97.06%: 2.94% for FY 2022-23, which was derived based on the headcount of aeronautical and Non-Aeronautical staff within the airport. Based on the review of the above assumptions, the Authority considers the basis of apportionment by AAI to be appropriate.

- 9.2.4 AAI has segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from the Concessionaires. Based on the review of the above assumptions, the Authority considers the basis of apportionment by AAI to be appropriate.
- 9.2.5 Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Civil) have been apportioned in the ratio of Terminal Building by AAI which is 95.01%: 4.99% However, the Authority proposes to re-allocate the above expenses in the Terminal Building ratio of 92%:8%, as detailed in para 6.3.9.
- 9.2.6 Repair and Maintenance expenses – IT have been apportioned by AAI in the Employee Ratio of 97.06%: 2.94% (Aeronautical: Non-Aeronautical) as they pertain to IT assets utilised by the employees. The Authority considers the segregation proposed by AAI to be reasonable.
- 9.2.7 Administration expenses of CHQ/ RHQ have been allocated based on methodology defined in para 4.7.4 (a) and (b). The same has been explained in para 9.2.10.
- 9.2.8 Based on the above factors, the Authority has determined the following basis for allocation of expenses, which is as follows:

Table 50: Allocation of O&M expenses proposed to be considered by Authority for Bhubaneswar International Airport for FY 2022-23

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.06%	2.94%
Payroll Costs –CHQ/RHQ	97.06%	2.94%
Repair & Maintenance – Civil	92.00%	8.00%
Repair & Maintenance – Electrical	96.00%	4.00%
Repair & Maintenance - IT	97.06%	2.94%
Utilities	100%	-
Upkeep Expenses	92.00%	8.00%
Admin. & Other Expenses - Excluding CHQ/RHQ	92.00%	8.00%
Other Outflows	100%	0%

Payroll expenses

- 9.2.9 AAI considered a growth rate of 7% in payroll expenses for the period 2023-24 to 2026-27 and 25% increase in FY 2027-28. The Authority notes that AAI has proposed the growth rate 25% in the last tariff year considering the implementation of 8th Pay commission. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, the Authority proposes to consider a growth rate of 6% year on year in payroll expenses for the Second Control period from FY 2023-24 to FY 2026-27 and 25% in the last tariff year i.e. FY 2027-28. The above restriction in the growth rate in payroll expenses, is being proposed with the perspective of rationalising the costs of the Airport. Further,

this growth rate of 6% Y-o-Y is being uniformly followed in all AAI and PPP airports.

CHQ/ RHQ Administration and General expenses

9.2.10 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Bhubaneswar International Airport for the Second Control Period. Based on the methodology and justification explained under para 4.7.4 (a) and (b) of this Consultation Paper, the Authority has rationalized the CHQ and RHQ- Administration and General Expenses, projected by AAI for Bhubaneswar International Airport for the Second Control Period. The same is presented in Table 51.

Repairs and Maintenance (R&M) expenses

9.2.11 The Authority notes that the total Repairs and Maintenance expenses include Resurfacing of Runway amounting to ₹ 75.33 Cr., which AAI has proposed to amortize over a period of 5 years commencing from FY 2023-24. Further, the Authority observes that the other R&M expenses (excluding Resurfacing of Runway expenses) are within the limit of 6% of opening RAB (Net Block) of the Second Control Period. Based on the above factors, the Authority proposes to consider the R&M submitted by AAI as justifiable.

Administration and General expenses (other than CHQ/ RHQ and upkeep expenses)

9.2.12 The Authority notes that AAI has projected a 10% increase year-on-year in Administration and General expenses (other than CHQ/ RHQ and upkeep expenses), which the Authority proposes to consider for the Second Control Period.

CSR expenses

The Authority notes that AAI has claimed ₹ 5.56 Cr. towards CSR expenses for the Second Control Period. The Authority has re-computed the allowable CSR expenses in accordance with the statutory requirements under the Companies Act, 2013 (which is 2% of the average net profits of the preceding 3 Financial Years) and has presented the same as part of Administration expenses (other than CHQ/ RHQ expenses) in Table 51.

Expenses towards Utilities and Outsourcing expenses

9.2.14 The Authority examined the expenses towards utilities and noted the following:

Power expenses: AAI has projected the power costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 10% of the total power costs). The Authority notes that the power recovery percentage is significantly lower than that of comparable airports. The Authority is of the view that with the gradual increase in the Non-aeronautical operations, AAI should increase the power recovery from the Concessionaires. Accordingly, the Authority proposes to consider power recoveries at a notional rate of 25%, while determining tariff for the next Control Period. The Authority invites stakeholder comments on the same and proposes to analyse this further in the Tariff Order for the Second Control Period.

The Authority notes that AAI has increased the net power costs of FY 2022-23 by 3% year-on-year for the Second Control Period, which the Authority proposes to consider for determining O&M expenses for the Second Control Period.

Outsourcing expenses: The Authority observes the outsourcing expenses have been projected by AAI towards consultancy charges (which includes consultation and professional service charges for Airport Council for ACI ASC Survey Fees and other associated services), vehicle hire charges and consumption of stores and spares that includes expenses pertaining to petrol for vehicles (Cars/Jeep etc.), consumption of electrical spares and other consumables. The Authority finds the projection

towards outsourcing expenses to be reasonable.

Upkeep expenses

9.2.15 The Authority observes that for upkeep expenses, AAI has proposed 10% increase year-on-year for the Second Control Period. The Authority notes that these are contractual expenses, wherein the rates have been finalized for the entire contract period (which is 3 years), and it includes the cost of materials and labour (including statutory benefits such as PF, ESI, Bonus etc). Further, there is no escalation clause mentioned in the Contract, with respect to revision of the contracted rates. Based on the above factors, the Authority proposes to consider only the inflationary effect (refer Table 46) on Upkeep expenses year-on-year across the second control period, as followed in other similar airports.

Other outflows

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

9.2.17 Based on the above observations, the Authority has determined the O&M expenses, which it proposes to consider in the Second Control Period. The same has been presented as follows:

Table 51: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Payroll Costs - Excluding CHQ/RHQ	18.67	19.79	20.98	22.24	27.80	109.47
Payroll Costs - CHQ/RHQ	0.22	0.23	0.24	0.26	0.32	1.26
Repair & Maintenance	26.28	27.40	28.63	29.99	31.48	143.77
Utilities & Outsourcing Expenses	5.95	6.22	6.51	6.81	7.14	32.62
Upkeep Expenses	3.49	3.91	4.07	4.24	4.41	20.12
Admin. & Other Expenses - Excluding CHQ/RHQ, Upkeep expenses and CSR expenses	7.73	8.51	9.36	10.29	11.32	47.21
CSR expenses			0.42	1.18	2.36	3.97
Admin. & Other Expenses - CHQ/RHQ	35.73	37.52	39.39	41.36	43.43	197.43
Other Outflows	0.81	0.97	1.12	1.30	1.45	5.65
Total O&M Expenditure	98.87	104.54	110.73	117.67	129.70	561.52

(₹ Crores)

Note: The variance between O&M expenses proposed by the Authority for the Second Control Period (₹ 561.52 Cr.) and that claimed by AAI (₹ 614.88 Cr.) is on account of the following:

- Rationalization of payroll expenses amounting to ₹ 3.07 Cr.
- Rationalisation of allocation of CHQ/ RHQ expenses amounting to ₹ 41.52 Cr.
- Rationalisation of upkeep expenses amounting to ₹ 6.64 Cr.

The Authority expects AAI 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

9.2.18 Based on above considerations, the Authority proposes the following growth rates in Operation and Maintenance expenses, as compared to the previous year's actuals/ projections.

Table 52: Growth rates in O&M expenses considered by the Authority for the Second Control Period

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Payroll Costs - Excluding CHQ/RHQ	6%	6%	6%	6%	25%
Payroll Costs - CHQ/RHQ	6%	6%	6%	6%	25%
Utilities & Outsourcing Expenses	5%	5%	5%	5%	5%
Administration & General Expenses - Excluding CHQ/RHQ, Upkeep expenses and CSR expenses	10%	10%	10%	10%	10%
Administration & General Expenses - CHQ/RHQ	5%	5%	5%	5%	5%
Other Outflow	19%	20%	16%	16%	11%

9.3 Authority's proposal regarding Operation and Maintenance expenses for the Second Control Period

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

9.3.1 To consider O&M expenses for the Second Control Period for BIA as per Table 51.

9.3.2 To consider the O&M expenses incurred by AAI for BIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

10 NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**10.1 AAI's submission on Non-Aeronautical Revenue for the Second Control Period for Bhubaneswar International Airport**

10.1.1 AAI has forecasted revenue from Non-aeronautical services for Bhubaneswar International Airport as below:

Table 53: Non-aeronautical revenue projections submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
1. Passenger related revenue						
Restaurant / snack bars	4.70	5.17	5.68	6.25	6.88	28.67
T.R. stall	3.78	4.28	4.71	5.18	5.70	23.65
Hoarding & display	9.18	10.10	11.11	12.22	13.45	56.07
Car Rentals	1.13	1.25	1.37	1.51	1.66	6.91
Car parking	1.27	1.40	1.54	1.69	1.86	7.75
Admission tickets	0.06	0.07	0.07	0.07	0.08	0.36
Other Misc. Income	2.41	2.53	2.66	2.79	2.93	13.32
2. Other Revenue						
Land Leases	6.74	7.08	8.49	8.92	9.36	40.59
Building (residential)	0.03	0.03	0.04	0.04	0.04	0.18
Building (non-residential)	1.04	1.12	1.20	1.29	1.39	6.05
Total	30.35	33.02	36.87	39.96	43.34	183.55

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

Table 54: Growth rates assumed by AAI for Bhubaneswar International Airport for Non-aeronautical revenue

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
1. Passenger related revenue					
Restaurant / snack bars	10.00%	10.00%	10.00%	10.00%	10.00%
T.R. stall	8.08%	13.17%	10.00%	10.00%	10.00%
Hoarding & display	9.89%	10.00%	10.00%	10.00%	10.00%
Car Rentals	10.00%	10.00%	10.00%	10.00%	10.00%
Car parking	10.00%	10.00%	10.00%	10.00%	10.00%
Admission tickets	4.11%	4.95%	5.01%	5.06%	4.95%
Other Misc. Income	-55.00%	5.00%	5.00%	5.00%	5.00%
2. Other Revenue					
Land Leases	5.00%	5.00%	20.00%	5.00%	5.00%
Building (residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Building (non-residential)	5.16%	7.50%	7.50%	7.50%	7.50%

10.2 Authority's examination of Non-aeronautical revenue for the Second Control Period

10.2.1 AAI has projected non-aeronautical revenue of Rs. 30.35 crores in FY 2023-24 whereas, actual non-

NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

aeronautical revenue in FY 2022-23 is Rs. 31.17 crores. Therefore, the Authority has considered the actual Non-aeronautical revenues for FY 2022-23 as a basis for projecting Non-aeronautical revenues for the Second Control Period. The Authority reviewed sample contracts executed with the Concessionaires by AAI during FY 2022-23, to assess the Non-aeronautical revenue projected by AAI for the Second Control Period and found the same to be reasonable.

- 10.2.2 Further, the Authority notes that the projections towards Operation and Maintenance expenses for the Second Control Period have increased substantially, as compared to the Non-aeronautical revenues. The Authority would like the stakeholders to comment on the above aspect.

Revenue from Passenger related services

- 10.2.3 Considering the positive outlook of the GDP growth predicted by the GoI, increase in the consumer spending pattern and the growth of the passenger traffic, the Authority proposes to consider the growth in the Passenger related revenue (Trading Concessions and other miscellaneous income) for the Second Control Period, in accordance with the growth rate in domestic passenger traffic as shown in Table 28.

Other revenue – Rent and Services

- 10.2.4 The Authority notes that AAI has assumed 5% Y-O-Y increase in revenue from Building (residential) and 7.5% Y-O-Y increase in revenue from Building (Non-residential) from FY 2024-25. The Authority notes that AAI has estimated revenue from land lease for FY 2023-24 and FY 2024-25 at a growth rate of 5% and for FY 2025-26 growth rate of 20% and thereafter 5% Y-O-Y growth rate. The Authority proposes to consider the same for determining NAR for the Second Control Period for Bhubaneswar International Airport.
- 10.2.5 Based on the Authority’s examination, the NAR determined for Bhubaneswar International Airport for the Second Control Period have been presented in the table below:

Table 55: Non-aeronautical revenues proposed by the Authority for Bhubaneswar International Airport for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
1. Passenger related revenue						
Restaurant / snack bars	5.03	6.04	7.00	8.12	9.02	35.21
T.R. stall	4.12	4.95	5.74	6.66	7.39	28.86
Hoarding & display	9.85	11.82	13.71	15.90	17.65	68.92
Car Rentals	1.21	1.46	1.69	1.96	2.17	8.49
Car parking	1.36	1.63	1.89	2.20	2.44	9.52
Admission tickets	0.07	0.09	0.10	0.12	0.13	0.51
Other Misc. Income	6.31	7.57	8.79	10.19	11.31	44.18
2. Other Revenue						
Land Leases	6.74	7.08	8.49	8.92	9.36	40.59
Building (residential)	0.03	0.03	0.04	0.04	0.04	0.18
Building (non-residential)	1.04	1.12	1.20	1.29	1.39	6.05
Total	35.78	41.78	48.65	55.40	60.91	242.53

- 10.2.6 The revised growth rates proposed by the Authority have been presented in the table below:

Table 56: Growth rates in Non-aeronautical revenue proposed by the Authority

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
1. Passenger related revenue					
Restaurant / snack bars	18%	20%	16%	16%	11%
T.R. stall	18%	20%	16%	16%	11%
Hoarding & display	18%	20%	16%	16%	11%
Car Rentals	18%	20%	16%	16%	11%
Car parking	18%	20%	16%	16%	11%
Admission tickets	18%	20%	16%	16%	11%
Other Misc. Income	18%	20%	16%	16%	11%
2. Other Revenue					
Land Leases	5%	5%	20%	5%	5%
Building (residential)	5%	5%	5%	5%	5%
Building (non-residential)	5%	8%	7%	7%	8%

10.3 Authority's proposal regarding Non-aeronautical revenues for the Second Control Period

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

- 10.3.1 To consider Non-aeronautical revenues for the Second Control Period for BIA in accordance with Table 55.
- 10.3.2 To consider actual Non-aeronautical revenue achieved by AAI for BIA for the Second Control Period, while determining tariff for the next Control Period.

11 TAXATION FOR THE SECOND CONTROL PERIOD

11.1 AAI's submission on Taxation for the Second Control Period for BIA

11.1.1 AAI has calculated Aeronautical Taxes based on the Revenue generated from regulated services, Aeronautical operating expenses, and depreciation on written down value (WDV) of assets as per the Income Tax Act, 1961. 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 Bhubaneswar International Airport are shown in the table below:

Table 57: Tax Expense submitted by AAI for Bhubaneswar International Airport for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Aeronautical Revenue with Revised Rates	249.85	326.59	389.05	465.97	538.33	1,969.80
O&M expenses	106.26	113.09	119.82	127.07	148.64	614.88
Interest on working capital	-	-	-	-	-	-
Depreciation	43.10	59.91	52.77	44.64	108.50	308.92
Profit Before Tax	100.50	153.60	216.46	294.25	281.19	1,046.00
Set-off of prior period tax losses	(100.50)	(12.50)	-	-	-	-113.01
PBT after set-off of prior period losses	-	141.09	216.46	294.25	281.19	932.99
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	35.51	54.48	74.06	70.78	234.83

11.2 Authority's examination of Taxation for the Second Control Period

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

Table 58: Taxation proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Aeronautical Revenue (refer Table 65)	183.92	244.81	300.05	385.25	463.03	1,577.06
O&M expenses (refer Table 51)	98.87	104.54	110.73	117.67	129.70	561.52
Depreciation	27.63	36.35	36.75	31.79	28.25	160.77
Profit Before Tax	57.42	103.92	152.58	235.79	305.07	854.77
Set-off of prior period tax losses*	(57.42)	(18.40)	-	-	-	(75.81)
PBT after set-off of prior period tax losses	(0.00)	85.52	152.58	235.79	305.07	778.96
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax		21.53	38.40	59.35	76.79	196.06

**Prior period losses pertain to those incurred during FY 2018-19 to FY 2021-22.*

11.3 Authority's proposal regarding Taxation for the Second Control Period

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

- 11.3.1 To consider the Taxation for the Second Control Period for BIA as per Table 58.
- 11.3.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Third Control Period.

12 QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

12.1 AAI’s submission on Quality of Service for the Second Control Period for BIA

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

12.2 Authority’s examination regarding Quality of Service for the Second Control Period

12.2.1 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.*”

12.2.2 The Authority notes from AAI’s website that the ACI ASQ survey results for Bhubaneswar International Airport for the years 2018 to 2022 have been in the range of 4.31 to 4.73 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72.

Table 59: ASQ rating for Bhubaneswar International Airport for the years 2018-2022

Calendar Year (CY)	ASQ rating
2018	4.73
2019	4.68
2020	4.31
2021	4.55
2022	4.73
2023 (Q1)	4.85
2023 (Q2)	4.87

12.2.3 The Authority notes that the ASQ rating awarded to Bhubaneswar International Airport is quite close to the average rating of the AAI airports.

12.2.4 Also, the Authority reviewed the MoU between AAI and MoCA for the year 2019-20 and noted that the ASQ rating target for the year 2019-20 was 4.68. The actual ASQ rating achieved by Bhubaneswar International Airport for CY 2019 was 4.68. The ASQ rating for CY 2020 was lower due to the COVID 19 impact. Further, the Authority observes from AAI’s email dated December 15, 2023, that for the CY 2022, there was no parameter on ASQ stipulated in the MOU between AAI and MoCA.

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

12.3 Authority’s proposal regarding Quality of Service for the Second Control Period

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

12.3.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.

13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

13.1 AAI's submission on Aggregate Revenue Requirement for the Second Control Period for BIA

13.1.1 AAI has submitted ARR and Yield per Passenger (YPP) for the Second Control Period as per the regulatory building blocks discussed.

13.1.2 The summary of ARR and YPP has been presented in the table below:

Table 60: ARR submitted by AAI for Bhubaneswar International Airport for the Second Control Period (₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Average RAB	339.10	481.49	487.18	460.89	1,116.01	2,884.67
Fair Rate of Return	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on average RAB	47.47	67.41	68.20	64.52	156.24	403.85
O&M expenses	106.26	113.09	119.82	127.07	148.64	614.88
Depreciation	20.88	27.28	28.21	28.05	65.23	169.66
Tax expense	-	35.51	54.48	74.06	70.78	234.83
Less: 30% NAR	9.11	9.91	11.06	11.99	13.00	55.06
ARR per year (₹ Crores)	165.51	233.39	259.66	281.72	427.89	1,368.17
Discount factor (@ 14%)	1	0.88	0.77	0.67	0.59	
PV of ARR	165.51	204.73	199.80	190.15	253.35	1,013.53
Sum Present value of ARR (₹ Crores)	1,013.53					
Add: True up shortfall of Second Control Period claimed by AAI	455.42					
Total Traffic (million passengers)	30.18					
Yield per passenger (YPP) (₹)	486.80					

13.2 Authority's examination of Aggregate Revenue Requirement (ARR) for the Second Control Period

13.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. The Yield Per Passenger (YPP) determined by AAI at Table 60 is based on the Capital Expenditure proposed for construction of Terminal Building T3 at BIA, which was subsequently shifted by AAI to the Third Control Period (as explained in para 6.3.6 A3 (ii)). With respect to each element of the regulatory building blocks considered by AAI in the computation of ARR and Yield in the table above, the Authority proposes as follows:

- To consider the average RAB in accordance with
- Table 39
- To consider the FRoR in accordance with Table 45.
- To consider the Depreciation as per Table 37.
- To consider the O&M expenses as per Table 51.
- To consider the Tax expense as per Table 58.

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

- To consider the Non-aeronautical revenue as per Table 55.
- To consider True up of Second Control Period as per Table 23
- To consider the total traffic in accordance with Table 28.

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

Table 61 : ARR proposed to be considered by the Authority for the Second Control Period

(in ₹ Crores)

Particulars	Table Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Average RAB (A)	39	226.03	334.56	405.88	384.90	364.98	
Fair Rate of Return (B)	45	13.78%	13.78%	13.78%	13.78%	13.78%	
Return on average RAB (C) = A*B		31.14	46.09	55.92	53.03	50.28	236.46
Depreciation (D)	37	16.67	21.66	25.16	24.84	25.04	113.38
O&M expenses (E)	51	98.87	104.54	110.73	117.67	129.70	561.52
Tax expense (F)	58	-	21.53	38.40	59.35	76.79	196.06
ARR = SUM (C:F)		146.68	193.81	230.21	254.89	281.82	1,107.42
PV of Under-recovery of the First Control Period as on March 31, 2024	23	387.86					
Gross ARR (G)		534.55	193.81	230.21	254.89	281.82	1,495.28
NAR	55	35.78	41.79	48.66	55.40	60.91	242.53
Less: 30% NAR (H)		10.73	12.54	14.60	16.62	18.27	72.76
Net ARR = (G-H)		523.81	181.28	215.62	238.27	263.54	1,422.52
Discount factor (@ 13.78%)		1.00	0.88	0.77	0.68	0.60	
PV of ARR (₹ Crores)		523.81	159.33	166.56	161.77	157.27	1,168.74
Sum Present value of ARR (₹ Crores)				1,168.74			1,168.74
Total Traffic (million passengers)	28			30.18			30.18
Yield per passenger on Total Traffic (YPP) (₹)				387.31			387.31
Departing passenger				15.09			15.09
Yield per Departing Passenger (₹)				774.63			774.63

13.3 Authority's proposal regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

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

13.3.1 To consider the ARR and Yield for the Second Control Period for BIA in accordance with Table 61.

14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

14.1 AAI's submission on Aeronautical Revenue for the Second Control Period for BIA

14.1.1 AAI has proposed to increase the Aeronautical tariffs with effect from October 1, 2023 as per the schedule below:

- **Landing charges** – For domestic and international ATM, AAI has proposed a one-time increase of 40% from the existing charges w.e.f. October 1,2023 and thereafter by 5% year on year.
- **Parking charges** - For domestic and international ATM, AAI has proposed a one-time increase of 110% from the existing charges w.e.f. October 1,2023 and thereafter by 5% year on year.
- **User Development Fee (UDF)** – AAI has proposed the following growth rates in UDF from the existing rates of ₹ 400 (Domestic) and ₹ 450 (International) for the Second Control Period.

Table 62: % Increase in UDF rates proposed by AAI

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
Domestic UDF	137.50%	5.26%	4.00%	3.85%	4.35%
International UDF	111.11%	5.26%	5.00%	4.76%	4.55%

Table 63: Aeronautical revenue submitted by AAI for Bhubaneswar International Airport for the Second Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Landing	38.27	53.92	63.40	74.56	86.12	316.28
Parking & Housing	0.61	1.13	1.33	1.57	1.81	6.45
UDF charges	199.42	258.81	312.09	375.80	435.27	1,581.39
Land Lease from Oil Companies	4.57	4.57	2.91	3.42	3.42	18.89
Ground Handling charges	1.77	2.03	2.27	2.55	2.80	11.42
CUTE charges	4.50	5.39	6.25	7.25	8.05	31.45
Revenue Share from AAICLAS	0.71	0.74	0.78	0.82	0.86	3.92
Total Revenue	249.85	326.59	389.05	465.967	538.33	1,969.80

14.1.2 For revenues based on agreements i.e., Land lease from oil companies and fuel facility system, AAI has proposed to consider the same revenue of FY 2022-23 for FY 2023-24, and a 7.5% growth increase YoY from FY 2022-23.

14.2 Authority's examination of Aeronautical Revenue for the Second Control Period

14.2.1 The Authority notes that domestic traffic of Bhubaneswar International Airport had surpassed the pre-COVID levels of FY 2019-20 and there has been a steady growth in passenger traffic (domestic and international) in the current Financial Year. Also, the Authority notes that Bhubaneswar International Airport had achieved profit in FY 2022-23.

The Authority also notes that the tariff increase proposed by AAI, is based on the original CAPEX plan which included the project on construction of Terminal Building T3 at BIA. However, upon the Authority's examination of the CAPEX plan, AAI had shifted this project to the next Control Period (as explained in para 6.3.6 A3 (ii)).

14.2.2 Based on the above analysis, the Authority proposes to revise the Landing, Parking charges in a

progressive manner from FY 2024-25 (w.e.f April 1, 2024) on the following basis:

- i. One time increase of 36% in Domestic and International Landing charges and 5% increase Y-o-Y for the remaining tariff years in the Second Control Period.
- ii. One time increase of 36% in Domestic and International Parking charges and 5% increase Y-o-Y for the remaining tariff years in the Second Control Period.

14.2.3 The Authority proposes to allow the following tariff towards UDF for the Second Control Period for Bhubaneswar International Airport.

Table 64: UDF charges proposed by the Authority for BIA for the Second Control Period

Passenger	FY 2023-24 (existing rates)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Domestic (in ₹)	400	700	760	865	950
International (in ₹)	450	820	860	960	1,020

14.2.4 The Authority has determined the Aeronautical revenue based with the proposed Aeronautical charges as follows:

Table 65: Aeronautical revenues proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Total PV of ARR including true up (₹ in Crores) (a) (as per Table 61)	1,168.74					1,168.74
Aeronautical Revenue						
Parking Charges (₹ in Crores)	0.36	0.70	0.82	0.97	1.12	3.97
Landing Domestic (₹ in Crores)	31.79	49.75	58.50	68.80	79.46	288.29
Landing International (₹ in Crores)	0.11	0.16	0.19	0.21	0.25	0.92
Land Lease - Oil Companies (₹ in Crores) (refer Note)	4.57	4.57	2.91	3.42	3.42	18.89
Ground handling charges (₹ in Crores)	1.77	2.03	2.27	2.55	2.80	11.42
CUTE charges (₹ in Crores)	4.50	5.39	6.25	7.25	8.05	31.45
Royalty from AAICLAS (₹ in Crores)	0.71	0.74	0.78	0.82	0.86	3.92
Extension of Watch Hours	-	-	-	-	-	-
UDF Domestic (₹ in Crores)	84.30	179.41	225.96	298.32	363.68	1,151.67
UDF International (₹ in Crores)	55.82	2.05	2.37	2.90	3.39	66.53
Total Revenue (b)	183.92	244.81	300.05	385.25	463.03	1,577.06
PV factor	1.00	0.88	0.77	0.68	0.60	
PV of Aero Revenue (c)	183.92	215.16	231.79	261.56	276.31	1,168.74
∑ PV Projected Aero Revenue (d)	1,168.74					1,168.74
Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2024)						-

Note: As informed, AAI has projected lease rent amounting ₹ 2.56 Cr. from the FY 2023-24 in MYTP for New Fuel facility system. Further, after the new fuel system becomes fully operational from FY 2025-26, the existing fuel system would discontinue and accordingly, the lease rent from Oil Companies amounting ₹ 1.70 Cr has not projected from

FY 2025-26 onwards till the end of the Second Control Period.

14.2.5 As can be observed from the above table, as per the Authority's proposals, AAI is entitled to recover an ARR of ₹ 1,168.74 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 1,168.74 Crores (in NPV terms), which is equivalent to the Target Revenue/ ARR determined by the Authority for the Second Control Period.

14.3 Authority's proposal regarding Aeronautical Revenue for the Second Control Period

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

14.3.1 To consider Aeronautical revenue for the Second Control Period for BIA as per Table 65.

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

15 SUMMARY OF AUTHORITY'S PROPOSALS

Chapter 4: True Up of the First Control Period

- 4.11.1 To consider capital additions as detailed in Table 9 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 10 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 11 for true up for the First Control Period.
- 4.11.4 To consider FRoR as per Table 12 for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 13 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 19 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 22 for true up of the First Control Period for BIA.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 23 for true up of the First Control Period for BIA and readjust the shortfall in the Second Control Period.

Chapter 5: Traffic for the Second Control Period

- 5.3.1 To consider the ATM and passenger traffic for the Second Control Period for Bhubaneswar International Airport as per Table 28.
- 5.3.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Second Control Period while determining tariff for the Third Control Period.

Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

- 6.6.1 To consider allocation of Gross Block of Assets as on April 1, 2023, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 6.6.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 35.
- 6.6.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.6.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while trueing up the actual cost at the time of determination of tariff for the Third Control Period.
- 6.6.5 To consider Depreciation as per Table 37 for the Second Control Period.
- 6.6.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.6.7 To consider average RAB for the Second Control Period for BIA as per Table 39.
- 6.6.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

Chapter 7: Fair Rate of Return for the Second Control Period

- 7.3.1 To consider Cost of Equity at 14% as per Table 43.
- 7.3.2 To consider Cost of Debt as 6.57% as per Table 44.
- 7.3.3 To consider FRoR of 13.78% for BIA for the Second Control Period as per Table 45.
- 7.3.4 To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.

Chapter 8: Inflation for the Second Control Period

- 8.3.1 To consider Inflation for the Second Control Period for BIA as detailed in Table 46.

Chapter 9: Operation and Maintenance expenses for the Second Control Period

- 9.3.1 To consider O&M expenses for the Second Control Period for BIA as per Table 51.
- 9.3.2 To consider the O&M expenses incurred by AAI for BIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

Chapter 10: Non-aeronautical revenue for the Second Control Period

- 10.3.1 To consider Non-aeronautical revenues for the Second Control Period for BIA in accordance with Table 55.
- 10.3.2 To consider actual Non-aeronautical revenue achieved by AAI for BIA for the Second Control Period, while determining tariff for the next Control Period.

Chapter 11: Taxation for the Second Control Period

- 11.3.1 To consider the Taxation for the Second Control Period for BIA as per Table 58.
- 11.3.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Third Control Period.

Chapter 12: Quality of Service for the Second Control Period

- 12.3.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.

Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period

- 13.3.1 To consider the ARR and Yield for the Second Control Period for BIA in accordance with Table 61.

Chapter 14: Aeronautical revenue for the Second Control Period

- 14.3.1 To consider Aeronautical revenue for the Second Control Period for BIA as per Table 65.
- 14.3.2 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.

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 proposal made in this Consultation Paper, latest by 05.02.2024.

**Secretary,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport New Delhi -110003
Tel: 011-24695044-47, Fax: 011-24695048**

(Chairperson)

17 LIST OF ANNEXURES

17.1 Annexure I: Annual Tariff proposal submitted by AAI for Bhubaneswar International Airport for the Second Control Period

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

17.1.2 The tariff rate card has been proposed by AAI for the Second Control Period for BIA based on its Original CAPEX plan on Construction of Terminal Building T3 (refer para 14.2.1) and the same has been reproduced as under. For purposes of comparison, the existing Aeronautical charges have been provided along with the charges proposed by AAI.

i. Landing charges (Domestic)

Table 66: Existing Landing charges (domestic)

Weight of the Aircraft	Existing Landing charges (₹)
Up to 25 MT	200 per MT
Above 25 to 50 MT	5,000+350 Per MT in excess of 25 MT
Above 50 to 100 MT	13,750+400 Per MT in excess of 50 MT
Above 100 to 200 MT	33,750+487 Per MT in excess of 100 MT
Above 200 MT	82,450+549 Per MT in excess of 200 MT

Table 67: Landing charges (domestic) proposed by AAI for the Second Control Period

Weight of the Aircraft	Rates per Hour (₹) (01.10.2023 to 31.03.2024)	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)
Up to 25 MT	280 per MT	294 per MT	309 per MT	325 per MT	341 per MT
Above 25 MT up to 50 MT	7,000+490 Per MT in excess of 25 MT	7,350+515 Per MT in excess of 25 MT	7,725+541 Per MT in excess of 25 MT	8,125+568 Per MT in excess of 25 MT	8,525+596 Per MT in excess of 25 MT
Above 50 MT up to 100 MT	19,250+560 Per MT in excess of 50 MT	20,225+588 Per MT in excess of 50 MT	21,250+618 Per MT in excess of 50 MT	22,325+649 Per MT in excess of 50 MT	23,425+681 Per MT in excess of 50 MT
Above 100 MT to 200 MT	47,250+682 Per MT in excess of 100 MT	49,625+716 Per MT in excess of 100 MT	52,150+752 Per MT in excess of 100 MT	54,775+790 Per MT in excess of 100 MT	57,475+829 Per MT in excess of 100 MT
Above 200 MT	11,5450+769 Per MT in excess of 200 MT	1,21,225+808 Per MT in excess of 200 MT	1,27,350+848 Per MT in excess of 200 MT	1,33,775+890 Per MT in excess of 200 MT	1,40,375+935 Per MT in excess of 200 MT

ii. Landing charges (International)

Table 68: Existing Landing charges (International)

Weight of the Aircraft	Existing Landing charges (₹)
Up to 25 MT	300 per MT
Above 25 to 50 MT	7,500+562 Per MT in excess of 25 MT
Above 50 to 100 MT	21,550+649 Per MT in excess of 50 MT
Above 100 to 200 MT	54,000+749 Per MT in excess of 100 MT
Above 200 MT	1,28,900+899 Per MT in excess of 200 MT

Table 69: Landing charges (International) proposed by AAI for the Second Control Period

Weight of the Aircraft	Rates per Hour (₹) (01.10.2023 to 31.03.2024)	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)
Up to 25 MT	420 per MT	441 per MT	464 per MT	487 per MT	511 per MT
Above 25 MT up to 50 MT	10,500+787 Per MT in excess of 25 MT	11,025+ 827 Per MT in excess of 25 MT	11,600+868 Per MT in excess of 25 MT	12,175+911 Per MT in excess of 25 MT	12,775+957 Per MT in excess of 25 MT
Above 50 MT up to 100 MT	30,175+909 Per MT in excess of 50 MT	31,700+955 Per MT in excess of 50 MT	33,300+1,002 Per MT in excess of 50 MT	34,950+1,052 Per MT in excess of 50 MT	36,700+1,105 Per MT in excess of 50 MT
Above 100 MT to 200 MT	75,625+1,049 Per MT in excess of 100 MT	79,450+1,102 Per MT in excess of 100 MT	83,400+1,157 Per MT in excess of 100 MT	87,550+1,214 Per MT in excess of 100 MT	91,950+1,275 Per MT in excess of 100 MT
Above 200 MT	1,80,525+1,259 Per MT in excess of 200 MT	1,89,650+1,322 Per MT in excess of 200 MT	1,99,100+1,388 Per MT in excess of 200 MT	2,08,950+1,457 Per MT in excess of 200 MT	2,19,450+1,530 Per MT in excess of 200 MT

Notes:

- No Landing Charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, b) helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.
- Domestic leg of international routes of foreign carriers shall be treated as international flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
- “A minimum Landing charge of Rs.4000/- per Flight in respect of Domestic Non-Scheduled Operators/GA operators or the applicable landing charges whichever is higher will be applicable”.
- Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

Parking Charges*Table 70: Existing Parking charges*

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to two hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Up to 25 MT	3 Per MT Per Hour	6 Per MT Per Hour
Above 25 MT up to 50 MT	75+ 4 per MT per hour in excess of 25 MT	150 + 8 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	175 + 8 per MT per hour in excess of 50 MT	350 + 16 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	575+ 10 per MT per hour in excess of 100 MT	1,150+ 20 per MT per hour in excess of 100 MT
Above 200 MT	1,575+ 11 per MT per hour in excess of 200 MT	3,150+ Rs.22 per MT per hour in excess of 200 MT

Table 71: Parking charges proposed by AAI for the Second Control Period (up to two hours after first two free hours)

Weight of the Aircraft	Rates per Hour (₹) (01.10.2023 to 31.03.2024)	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)
Up to 25 MT	10 Per MT Per Hour	10.50 Per MT Per Hour	11.01 Per MT Per Hour	11.56 Per MT Per Hour	12.14 Per MT Per Hour
Above 25 MT up to 50 MT	250+ 13.32 per MT per hour in excess of 25 MT	262.50+ 13.99 per MT per hour in excess of 25 MT	275.25+ 14.68 per MT per hour in excess of 25 MT	289+ 15.42 per MT per hour in excess of 25 MT	303.50+ 16.19 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	583 + 26.64 per MT per hour in excess of 50 MT	612.25+ 27.97 per MT per hour in excess of 50 MT	642.25+ 29.37 per MT per hour in excess of 50 MT	674.50+ 30.84 per MT per hour in excess of 50 MT	708.25 + 32.38 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,915+ 33.3 per MT per hour in excess of 100 MT	2,010.75+ 34.97 per MT per hour in excess of 100 MT	2,110.75+ 36.71 per MT per hour in excess of 100 MT	2,216.50+ 38.54 per MT per hour in excess of 100 MT	2,327.25+ 40.47 per MT per hour in excess of 100 MT
Above 200 MT	5,245+ 36.63 per MT per hour in excess of 200	5,507.75+ 38.46 per MT per hour in excess of 200	5,781.75+ 40.38 per MT per hour in	6,070.50+ 42.40 per MT per hour in excess of 200	6,374.25+ 44.52 per MT per hour in excess of 200

Table 72: Parking charges proposed by AAI for the Second Control Period (beyond first four hours)

Weight of the Aircraft	Rates per Hour (₹) (01.10.2023 to 31.03.2024)	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)
Up to 25 MT	19.98 Per MT Per Hour	20.98 Per MT Per Hour	22.02 Per MT Per Hour	23.12 Per MT Per Hour	24.28 Per MT Per Hour
Above 25 MT up to 50 MT	499.50 + 26.64 per MT per hour in excess of 25 MT	524.50+ 27.97 per MT per hour in excess of 25 MT	550.50 + 29.37 per MT per hour in excess of 25 MT	578+ 30.83 per MT per hour in excess of 25 MT	607 + 32.38 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	1,165.50 + 53.28 per MT per hour in excess of 50 MT	1,223.75+ 55.94 per MT per hour in excess of 50 MT	1,284.75 + 58.74 per MT per hour in excess of 50 MT	1,348.75 + 61.67 per MT per hour in excess of 50 MT	1,416.50 + 64.76 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	3,829.50 + 66.60 per MT per hour in excess of 100	4,020.75+ 69.93 per MT per hour in excess of 100 MT	4,221.75+ 73.42 per MT per hour in excess of 100	4,432.25+ 77.09 per MT per hour in excess of 100 MT	4,654.50 + 80.95 per MT per hour in excess of 100
Above 200 MT	10,489.50+ 73.26 per MT per hour in excess of 200 MT	11,013.75 + 76.92 per MT per hour in excess of 200 MT	11,563.75+ 80.76 per MT per hour in excess of 200 MT	12,141.25+ 84.80 per MT per hour in excess of 200 MT	12,749.50 + 89.04 per MT per hour in excess of 200 MT

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

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

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

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

17.1.7 At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.

17.1.8 It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at BIA if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges will be made applicable from the date of implementation of < 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.

17.1.9 Flights operating under Regional Connectivity Scheme shall be completely governed by AIC

issued on this subject by DGCA.

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

iii. User Development Fees (UDF)

Table 73: UDF Proposed by AAI (per embarking passenger)

Passenger	Existing UDF	Rate in (₹)				
		Oct 01, 2023 to Mar 31, 2024	FY 2024-25 (01.04.2024 to 31.03.2025)	FY 2025-26 (01.04.2025 to 31.03.2026)	FY 2026-27 (01.04.2026 to 31.03.2027)	FY 2027-28 (01.04.2027 to 31.03.2028)
Domestic	400	950	1,000	1,040	1,080	1,127
International	450	950	1,000	1,050	1,100	1,150

Notes:

- Collection charges: If the payment is made within 15 days of receipt of invoice, then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the prescribed credit period or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
- No collection charges are payable to casual operator/non-scheduled operators.
- For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- Revised UDF charges will be applicable on tickets issued on or after October 1, 2023.
- No UDF charges will be levied for Transit Passengers.

iv. Aviation Security Fee:

- Aviation Security Fee (ASF) shall be levied as per GOI Order issued from time to time.

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

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI and vide Letter no. AV.13024/659/2015-AS dated November 30, 2011 and June 13, 2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF/ASF.

- Children (under-age of 2 years),
- Holders of Diplomatic Passport,
- Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- Persons traveling on official duty for United Nations Peace Keeping Missions.

- f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. “A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”).
- g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

vi. General Condition:

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

17.2 Annexure II: Annual Tariff proposed by the Authority for Stakeholders' Consultation process

17.2.1 As detailed in Table 65 (Chapter 14), Bhubaneswar International Airport is entitled to recover an ARR of ₹ 1,168.74 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 1,168.74 Crores (in NPV terms), which is equivalent to the Target Revenue/ ARR determined by the Authority for the Second Control Period.

17.2.2 The Authority has examined the Annual Tariff Proposal submitted by AAI for Bhubaneswar International Airport. After its examination as detailed in para 14.2, the Authority proposes the following Aeronautical tariffs for Bhubaneswar International Airport for the Second Control Period for consultation process:

17.2.3 Landing charges* proposed by the Authority for Bhubaneswar International Airport for the Second Control Period is as follows:

Table 74: Landing charges (domestic) proposed by the Authority for BIA for the Second Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	(Existing rates)	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Up to 25 MT	200 per MT	272 per MT	286 per MT	300 per MT	315 per MT
Above 25 MT up to 50 MT	5,000+350 Per MT in excess of 25 MT	6,803 + 476 per MT in excess of 25 MT	7,143 + 500 per MT in excess of 25 MT	7,500 + 525 per MT in excess of 25 MT	7,875 + 551 per MT in excess of 25 MT
Above 50 MT up to 100 MT	13,750+400 Per MT in excess of 50 MT	18,708 + 544 per MT in excess of 50 MT	19,644 + 571 per MT in excess of 50 MT	20,626 + 600 per MT in excess of 50 MT	21,657 + 630 per MT in excess of 50 MT
Above 100 MT to 200 MT	33,750+487 Per MT in excess of 100 MT	45,920 + 663 per MT in excess of 100 MT	48,216 + 696 per MT in excess of 100 MT	50,627 + 731 per MT in excess of 100 MT	53,158 + 767 per MT in excess of 100 MT
Above 200 MT	82,450+549 Per MT in excess of 200 MT	1,12,181 + 747 per MT in excess of 200 MT	1,17,791 + 784 per MT in excess of 200 MT	1,23,680 + 824 per MT in excess of 200 MT	1,29,864 + 865 per MT in excess of 200 MT

* The Authority has proposed one time increase of 36% in Domestic Landing charges with effect from April 1, 2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

Table 75: Landing charges (International) proposed by the Authority for BIA for the Second Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	(Existing rates)	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Up to 25 MT	300 per MT	408 per MT	428 per MT	450 per MT	472 per MT
Above 25 MT up to 50 MT	7,500+562 Per MT in excess of 25 MT	10,200 + 764 per MT in excess of 25 MT	10,710 + 803 per MT in excess of 25 MT	11,246 + 843 per MT in excess of 25 MT	11,808 + 885 per MT in excess of 25 MT
Above 50 MT up to 100 MT	21,550+649 Per MT in excess of 50 MT	29,308 + 883 per MT in excess of 50 MT	30,773 + 927 per MT in excess of 50 MT	32,312 + 973 per MT in excess of 50 MT	33,928 + 1022 per MT in excess of 50 MT

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	(Existing rates)	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Above 100 MT to 200 MT	54,000+749 Per MT in excess of 100 MT	73,440 + 1019 per MT in excess of 100 MT	77,112 + 1070 per MT in excess of 100 MT	80,968 + 1123 per MT in excess of 100 MT	85,016 + 1179 per MT in excess of 100 MT
Above 200 MT	1,28,900+ 899 Per MT in excess of 200 MT	1,75,304 + 1223 per MT in excess of 200 MT	1,84,069 + 1284 per MT in excess of 200 MT	1,93,273 + 1348 per MT in excess of 200 MT	2,02,936 + 1415 per MT in excess of 200 MT

*The Authority has proposed one time increase of 36% in International Landing charges with effect from April 1, 2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

17.2.4 Parking charges** proposed by the Authority for Bhubaneswar International Airport for the Second Control Period is as follows:

Table 76: Parking charges (per hour) up to two hours after free hours proposed by the Authority for the Second Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	(Existing rates)	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Up to 25 MT	3 Per MT Per Hour	4.08 Per Hour Per MT	4.28 Per Hour Per MT	4.5 Per Hour Per MT	4.72 Per Hour Per MT
Above 25 MT up to 50 MT	75+ 4 per MT per hour in excess of 25 MT	102 + 5.44 per MT per hour in excess of 25 MT	107.1 + 5.71 per MT per hour in excess of 25 MT	112.46 + 6 per MT per hour in excess of 25 MT	118.08 + 6.3 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	175 + 8 per MT per hour in excess of 50 MT	238 + 10.88 per MT per hour in excess of 50 MT	249.9 + 11.42 per MT per hour in excess of 50 MT	262.4 + 12 per MT per hour in excess of 50 MT	275.51 + 12.59 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	575+ 10 per MT per hour in excess of 100 MT	782 + 13.6 per MT per hour in excess of 100 MT	821.1 + 14.28 per MT per hour in excess of 100 MT	862.16 + 14.99 per MT per hour in excess of 100 MT	905.26 + 15.74 per MT per hour in excess of 100 MT
Above 200 MT	1,575+ 11 per MT per hour in excess of 200 MT	2,142 + 14.96 per MT per hour in excess of 200 MT	2,249.1 + 15.71 per MT per hour in excess of 200 MT	2,361.56 + 16.49 per MT per hour in excess of 200 MT	2,479.63 + 17.32 per MT per hour in excess of 200 MT

** The Authority has proposed one time increase of 36% in Parking charges with effect from April 1, 2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

Table 77: Parking charges beyond first four hours proposed by the Authority for the Second Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	(Existing rates)	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Up to 25 MT	6 Per MT Per Hour	8.16 Per Hour Per MT	8.57 Per Hour Per MT	9 Per Hour Per MT	9.45 Per Hour Per MT

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	(Existing rates)	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027
Above 25 MT up to 50 MT	150 + 8 per MT per hour in excess of 25 MT	204 + 10.88 per MT per hour in excess of 25 MT	214.2 + 11.42 per MT per hour in excess of 25 MT	224.91 + 12 per MT per hour in excess of 25 MT	236.16 + 12.59 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	350 + 16 per MT per hour in excess of 50 MT	476 + 21.76 per MT per hour in excess of 50 MT	499.8 + 22.85 per MT per hour in excess of 50 MT	524.79 + 23.99 per MT per hour in excess of 50 MT	551.03 + 25.19 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,150+ 20 per MT per hour in excess of 100 MT	1,564 + 27.2 per MT per hour in excess of 100 MT	1,642.2 + 28.56 per MT per hour in excess of 100 MT	1,724.31 + 29.99 per MT per hour in excess of 100 MT	1,810.53 + 31.49 per MT per hour in excess of 100 MT
Above 200 MT	3,150+ 22 per MT per hour in excess of 200 MT	4,284 + 29.92 per MT per hour in excess of 200 MT	4,498.2 + 31.42 per MT per hour in excess of 200 MT	4,723.11 + 32.99 per MT per hour in excess of 200 MT	4,959.27 + 34.64 per MT per hour in excess of 200 MT

Notes:

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

Applicable rates for travel date from April 1, 2024 to March 31, 2025*(Rate in ₹)*

Type of Passenger	Domestic Flight	International flight
Embarking passenger	700	820

Applicable rates for travel date from April 1, 2025 to March 31, 2026*(Rate in ₹)*

Type of Passenger	Domestic Flight	International flight
Embarking passenger	760	860

Applicable rates for travel date from April 1, 2026 to March 31, 2027*(Rate in ₹)*

Type of Passenger	Domestic Flight	International flight
Embarking passenger	865	960

Applicable rates for travel date from April 1, 2027 to March 31, 2028*(Rate in ₹)*

Type of Passenger	Domestic Flight	International flight
Embarking passenger	950	1,020

Notes:

1. Collection charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
2. No collection charges are payable to casual operator/non-scheduled operators.
3. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
4. No UDF will be levied for transit passengers.
5. The existing UDF charges will be applicable on the tickets issued till March 31, 2024.
6. Revised UDF charges will be applicable on the tickets issued on or after April 1, 2024.

17.2.6 Exemption from levy and collection from UDF at the Airports.

In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF.

- (a) Children (under age of 2 years),
- (b) Holders of Diplomatic Passport,
- (c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,

- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. “A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”).

17.2.7 Aviation Security Fee: Rates and Exemption as prescribed by MoCA from time to time.

17.2.8 General Condition:

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