

फा. संख्या ऐरा/20010/एमवाईटीपी/एएआई-पटना/सीपी-II/2023-28
F. No. AERA/20010/MYTP/AAI-Patna/CP-II/2023-28

परामर्श पत्र संख्या 23/2023-24
Consultation Paper No. 23/2023-24



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

जय प्रकाश नारायण अंतरराष्ट्रीय हवाईअड्डे पटना (पीएटी) 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
JAY PRAKASH NARAYAN INTERNATIONAL AIRPORT, PATNA (PAT)
FOR THE SECOND CONTROL PERIOD
(01.04.2023 - 31.03.2028)

जारी करने की तारीख : 13.01.2024

Date of issue: 13.01.2024

ऐरा भवन/AERA Building
प्रशासनिक कॉम्प्लेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली/New Delhi – 110003

STAKEHOLDERS' COMMENTS

Jay Prakash Narayan International Airport, Patna (PAT) is a Major Airport, since FY 2016-17, as per section 2 (i) of AERA Act, 2008 read with AERA Amendment Act, 2019 and 2021. It had passenger throughput of about 4.53 MPPA in the FY 2019-20 (being the pre-pandemic year). The Airport witnessed a steady recovery in the passenger traffic in FY 2022-23, in the aftermath of COVID-19 pandemic and has achieved 83% (i.e. 3.75 MPPA) of the traffic of FY 2019-20.

The Authority after considering the entire information currently available till September 2023, 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 Patna International Airport) for all the 5 tariff years of the First Control Period (FY 2018-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 the 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. Authority shall consider the comments on merit 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. 23/2023-24 dated 13.01.2024 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, prabhjot.marwah@nic.in,

copy to: secretary@aera.gov.in

Stakeholders' Consultation Meeting:	23.01.2024
Last Date for Submission of comments:	02.02.2024
Last Date for Submission of counter comments:	09.02.2024

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
ACI	Airports Council International
AERA/ The Authority	Airports Economic Regulatory Authority of India
ANS	Air Navigation Services
AOCC	Airport Operations Control Centre
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance System
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BSF	Border Security Force
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
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
EOD	Explosive Ordnance Disposal
ETD	Explosive Trace Detector
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GCCM	Grass Cut and Collect Machine.
GoI	Government of India
GST	Goods and Services Tax
IAF	Indian Air Force
IATA	International Air Transport Association
IDC	Interest During Construction
IOCL	Indian Oil Corporation Limited
MoCA	Ministry of Civil Aviation
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-aeronautical revenue
NDT	New Domestic Terminal

Abbreviation	Full Form
PBB	Passenger Boarding Bridge
PDC	Probable Date of Completion
PIA/ PAT	Patna International Airport
PIB	Public Investment Board
PLF	Passenger Load Factor
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
RPK	Revenue Passenger Kilometer
RWS	Runway Strip
SCCTV	Secure Closed Circuit Television.
SHA	Security Hold Area
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metre
UDF	User Development Fees
YTD	Year to Date
YPP`	Yield per Passenger

1 INTRODUCTION

1.1 Background

- 1.1.1 Jay Prakash Narayan International Airport ('Patna International Airport' or PIA), operated by Airports Authority of India, is currently, the 15th busiest Airport¹ in India by passengers handled and 17th busiest Airport by air traffic movements .
- 1.1.2 The total land area of PIA is 247.16 Acres. Out of this, the Terminal Building area is of 9,795 square meters, which currently handles domestic operations.
- 1.1.3 Jay Prakash Narayan 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 the FY 2015-16.
- 1.1.4 Further, as per section 2(i) of 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. The total passenger traffic for FY 2022-23 was 3.75 MPPA, which comprised of only domestic passengers.

The Authority determined tariff for the First Control Period (starting from FY 2018-19 to FY 2022-23) vide Order Number 13/ 2019-20 dated October 24, 2019. Further, the Authority vide Order No. 29/ 2020-21 dated July 9, 2020 had revised the landing charges of PIA with effect from July 15, 2020, in lieu of abolition of Fuel Throughput charges.

1.2 Profile of Patna International Airport

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

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

Particulars	Details
Total airport land area	247.16 Acres
Car Parking area	4,700 sqm
Terminal Building area	9,795 Sqm
Peak Hour Passengers	1,300
Runway orientation and length	Runway 07/25, dimension 2072m x 45 m
Apron	22,440 Sqm/ (272m X 82.5m) with Flood Lights
Taxiway	3 Nos. - A, B and C

1.3 Cargo, Ground Handling and supply of Fuel to Aircraft

Cargo Handling

- 1.3.1 M/s AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) is a 100% subsidiary company of Airports Authority of India (AAI) providing Cargo Handling Services at PIA. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement with AAICLAS.
- 1.3.2 AERA vide Order No. 34/ 2020-21 dated September 1, 2020 determined the tariffs for AAI Cargo

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

Logistics & Allied Service Company Limited for the First Control Period (FY 2019-20 to FY 2023-24).

Ground Handling

- 1.3.3 Currently, there are two Service Providers at the Airport viz., Global Flight Handling Services (Patna) Private Limited (GFHSPL) and AI Airport Services Limited (AIASL), providing Ground Handling services at PIA.

The Authority, in respect of AIASL, from time to time through various interim Orders had extended the applicability of existing tariff till March 31, 2024.

AERA vide Order No. 14/2023-24 dated August 30, 2023 determined tariff for Ground Handling Services for GFHSPL from FY 2024 to FY 2028.

Supply of Fuel to Aircraft

- 1.3.4 Oil Companies such as M/s IOCL, M/s BPCL and M/s HPCL are directly providing Aviation Fuel Supply to Airlines at PIA.

2 TARIFF DETERMINATION OF PATNA 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. 07/2018-19 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2018-19 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. 35/2019-20 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2019-20 dated 09.04.2018 in the matter of determination of useful life of Airport assets.
- v. Order No. 42/2020-21 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. 13/2019-20 dated October 24, 2019, had determined tariffs for Aeronautical services for PIA for the First Control Period. Further, the Authority vide Order No. 29/2020-21 dated July 9, 2020 had revised the landing charges of PIA with effect from July 15, 2020, in lieu of abolition of Fuel Throughput charges.

Further, AERA vide Order No. 41/2022-23 dated March 22, 2023 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 the MYTP for the Second Control Period commencing from FY 2023-24 to FY 2027-28 for PIA on September 22, 2023, after six months from the end of the First Control Period. 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 of AAI, by comparing each regulatory building block with the Tariff Order for the First Control period. The Independent Consultant has 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 for 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
September 22, 2023	MYTP Submission by AAI
October 2023	Clarifications sought on passenger capacity, CAPEX, Operation and Maintenance expenses, Non-aeronautical revenue etc. of PIA
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 2023	Revised projections received from AAI on certain CAPEX projected for the Second Control Period.
January 2024	Clarification sought on Cost of Debt

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 PIA. The Authority has examined the audited trial balance (FY 2018-19 to FY 2022-23) 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 examination and 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 PIA 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 PIA for the Second Control Period.
- Annexure II: Annual Tariff proposed by the Authority for Consultation process.

3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR PIA

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 PIA 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 PIA. 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 PIA excluding Cargo Operations. The tariff related to Cargo Operations of PIA 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 PIA

4.1.1 AAI has submitted the following shortfall of ₹ 361.90 Crores for PIA 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	Ref	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Fair Rate of Return	(a)	14%	14%	14%	14%	14%	
Revenue from Regulated Services	(b)	41.25	56.02	52.47	58.81	72.96	281.51
Revenue from services other than Regulated Services (30% considered for Hybrid Till)	(c)	4.73	4.21	2.26	2.15	4.02	17.36
Operating Expenditure	(d)	135.19	60.80	60.05	63.65	86.23	405.92
Depreciation	(e)	3.43	4.07	4.73	5.23	5.90	23.36
Total Expenditure	(f) = (d) + (e)	138.62	64.86	64.78	68.88	92.13	429.28
Regulatory operating Profit	(g) = (b) + (c) - (f)	(92.64)	(4.64)	(10.05)	(7.92)	(15.16)	(130.41)
Average RAB	(h)	24.23	35.21	48.34	58.68	75.10	241.55
Return on Average RAB	(i) = (a)*(h)	3.39	4.93	6.77	8.21	10.51	33.82
Corporate Tax	(j)	0.00	0.00	0.00	0.00	0.00	0.00
True up of FY 2016-17 & FY 2017-18	(k)	37.43	0.00	0.00	0.00	0.00	37.43
Interest on Working Capital	(l)	4.42	1.42	0.53	0.64	0.95	7.96
ARR	(m) = $\{(d)+(e)+(i)+(j)+(k)+(l)-(c)\}$	179.13	67.01	69.82	75.59	99.58	491.13
Shortfall	(n) = (m) - (b)	137.88	10.99	17.35	16.78	26.62	209.62
PV Factor		1.93	1.69	1.48	1.30	1.14	7.54
Shortfall	(q) = (n)*(p)	265.47	18.56	25.70	21.81	30.35	361.90
Total Shortfall		361.90					

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. 13/ 2019-20 dated October 30, 2017 have been reproduced below:

Decision No. 1. Regarding traffic forecast

(i) The Authority decides to consider traffic projections as per Table 6.

(ii) The Authority decides to true-up the traffic volume (ATM and passengers) on the basis of actual traffic in 1st Control Period while determining tariffs for the 2nd Control Period.

Decision No. 2. Regarding allocation of assets

(i) 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 11.

Decision No. 3. Regarding Initial RAB

(i) The Authority decides to consider the initial regulatory asset base for the 1st Control Period for Patna Airport as INR 15.36 crores in accordance with Table 13

Decision No. 4. Regarding capital expenditures.

(i) The Authority decides to adopt the capital expenditures for the 1st control period in accordance with Table 19.

Decision No. 5. Regarding depreciation.

(i) The Authority decides to adopt depreciation rates for Patna Airport as per Table 24 for the 1st control period.

(ii) The Authority decides depreciation amounts as per Table 26 for the 1st control period.

Decision No. 6. Regarding average RAB.

(i) The Authority decides to consider average RAB for the 1st Control Period for Patna Airport as per Table 28.

Decision No. 7. Regarding Fair Rate of Return (FROR).

(i) The Authority decides to consider Fair Rate of Return as 14% for the first four years of the Control Period for Patna Airport. For the fifth year, the Authority decides to consider the Fair Rate of Return as 11.54%.

Decision No. 8. Regarding non-aeronautical revenues

(i) The Authority decides to consider non-aeronautical revenues for the 1st control period for Patna Airport in accordance with Table 37.

Decision No. 9. Regarding O&M expenses

(i) The Authority decides to consider O&M expenses for the 1st Control Period for Patna Airport as per Table 45

Decision No. 10. Regarding tax expense

(i) The Authority decides to consider tax expense for the 1st Control Period for Patna Airport as per Table 50.

Decision No. 11. Regarding true-up

(i) The Authority decides to consider the true up calculations for the First Control Period for Patna Airport as per Table 56.

Decision No. 12. Regarding Aggregate Revenue Requirement.

(i) The Authority decides to consider the ARR and Yield for the 1st Control Period for Patna Airport in accordance with the Table 60.

Decision No. 13. Regarding tariff rate card.

(i) The Authority decides a tariff card for 1st Control Period as given in Annexure-1.

(ii) The Authority decides to set tariff for international operations at Patna Airport at the same levels as for domestic operations at Patna Airport.

4.3 True up of Traffic

4.3.1 AAI has submitted Passenger Traffic and ATM for PIA 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 PIA

Particulars	FY 2018- 19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Passenger (In Millions)					
Domestic	4.06	4.53	2.71	2.97	3.75
International	-	-	-	-	-
Total	4.06	4.53	2.71	2.97	3.75
ATM (In No's)					
Domestic	28,087	30,953	21,572	25,501	27,931
International	-	-	-	-	-
Total	28,087	30,953	21,572	25,501	27,931

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. 13/ 2019-20 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 the First Control Period

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Passenger (In millions)					
Domestic	4.06	5.20	5.98	6.88	8.80
International	-	-	-	-	-
Total	4.06	5.20	5.98	6.88	8.80
ATM (In No's)					
Domestic	28,087	33,143	39,109	46,149	54,456
International	-	-	-	-	-
Total	28,087	33,143	39,109	46,149	54,456

4.3.3 The Authority notes that the major variation between 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) is attributable to the adverse impact of COVID-19 pandemic. After the outbreak of COVID-19 pandemic in December 2019, many chartered flights were cancelled, due to which the domestic passenger traffic have been showing a decreasing trend.

4.3.4 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.

4.3.5 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. 1 (ii) of the Tariff Order No. 13/ 2019-20 dated October 24, 2019, which states "*The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 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 PIA is as follows:

Table 6: Capital additions during the First Control Period submitted by AAI for PIA

(₹ Crores)					
S. No	Asset category	Approved Capex as per Tariff Order (1)	Actual CAPEX incurred in 1st Control Period (2)	Variance (2)-(1)	Financing Allowance (included in Actual CAPEX)
A. CAPEX incurred towards projects approved by AERA for First Control Period					
A1	Road, Bridges & Culverts	81.68	-	(81.68)	
A2	Runway, Taxiway and Aprons	10.46	7.44	(3.02)	0.58
A3	Building- Terminal	430.36	2.92	(427.44)	
A4	Building – Residential	32.56	19.44	(13.12)	
A5	Boundary Wall- Operational	-	0.09	0.09	
A6	Intangible Assets- Software	-	0.03	0.03	
A7	Plant & Machinery	4.06	2.08	(1.98)	
A8	Tools & Equipment	0	0.60	0.60	
A9	Other Vehicles	1.43	1.08	(0.35)	
A10	Electrical Installations	241.22	-	(241.22)	
A11	Other Office Equipment	0	0.32	0.32	
A12	CFT/Fire Fighting Equipment	4.03	5.29	1.26	
	Total Approved CAPEX (A)	805.80	39.29	(766.51)	0.58
B. Unplanned/ Unapproved CAPEX incurred by PIA during First Control Period					
B13	Runway, Taxiway and Aprons		0.65	0.65	
B14	Road, Bridges & Culverts		3.99	3.99	
B15	Building- Terminal		14.32	14.32	
B16	Building – Residential		0.73	0.73	
B17	Other Buildings-Unclassified		1.15	1.15	
B18	Computer & Peripherals: End User Devices		0.55	0.55	
B19	Software		0.10	0.10	
B20	Plant & Machinery		22.43	22.43	0.90
B21	Tools & Equipment		3.87	3.87	
B22	Office Furniture		1.83	1.83	
B23	Other Vehicles		1.64	1.64	
B24	Other Office Equipment		0.45	0.45	
B25	Furniture & Fixtures: Trolleys		0.18	0.18	
B26	X Ray Baggage System		2.00	2.00	
	Total Unapproved CAPEX incurred (B)		53.89	53.89	0.90
	Total CAPEX incurred (A+B)	805.80	93.16	(712.62)	1.48

4.4.2 The CAPEX approved by the Authority in the Tariff Order for the First Control Period was ₹ 805.80

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	Runway, Apron & Taxiway	6.26				4.20	10.46
2	Road, Bridges & culverts					81.68	81.68
3	Building- Terminal	5.59	11.81			398.35	415.75
4	Building Semi Terminal	0.95	13.66				14.61
5	Building Residential		32.56				32.56
6	P&M	4.06					4.06
7	Electrical Installation	1.59	11.97			227.66	241.22
8	CFT/ Fire Fighting Equipment	4.03					4.03
9	Others	1.43	-				1.43
	Total	23.91	70.00	-	-	711.89	805.80

4.4.3 The Authority notes a variance of ₹ 766.51 Crores (95%) between CAPEX approved by the Authority and that incurred by AAI from the Approved CAPEX 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 PIA:

Table 8: Depreciation for the First Control Period submitted by AAI for PIA

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.06	0.04	0.04	0.04	0.04	0.22
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	0.13	0.27	0.40
Road, Bridges & Culverts	0.29	0.49	0.67	0.67	0.67	2.77
Building- Terminal	0.18	0.24	0.49	0.71	0.70	2.32
Building - Temporary	-	-	-	-	-	-
Building - Residential	0.14	0.11	0.11	0.11	0.44	0.91
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.30	0.31	0.30	0.16	0.10	1.18
Boundary Wall - Residential	0.03	0.03	0.03	0.03	0.02	0.15
Other Buildings-Unclassified	-	0.03	0.05	0.08	0.11	0.28
Computer & Peripherals: End User Devices	0.05	0.08	0.01	-	-	0.13
Intangible Assets- Software	0.01	0.02	0.03	0.03	0.00	0.08
Computer & Peripherals: Servers & Networks	-	-	-	-	-	-
Plant & Machinery	0.28	0.50	0.69	0.89	1.32	3.68
Tools & Equipment	0.03	0.14	0.26	0.29	0.31	1.04
Office Furniture	0.04	0.15	0.23	0.25	0.26	0.92
Other Vehicles	0.08	0.15	0.26	0.34	0.38	1.21
Electrical Installations	0.85	0.81	0.78	0.75	0.68	3.86
Other Office Equipment	0.10	0.14	0.14	0.16	0.00	0.54
Furniture & Fixtures: Other Than Trolley	0.07	0.06	0.05	0.05	0.05	0.28
Furniture & Fixtures: Trolleys	0.09	0.12	0.05	-	-	0.27

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
X Ray Baggage System	0.08	0.14	0.19	0.19	0.19	0.79
CFT/Fire Fighting Equipment	0.74	0.52	0.35	0.35	0.35	2.33
Total	3.43	4.07	4.73	5.23	5.90	23.36

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 and observed that AAI has not implemented 95% of approved CAPEX. The major items of variances have been presented asset-wise in the below paragraphs.

A1: Road, Bridges/Culverts: The Authority has approved CAPEX of ₹ 81.68 Crores in the First Control Period. However, the Authority notes that AAI has not executed the above project due to COVID-19 pandemic.

A3 and A10: Terminal Building and Electrical Installations: The Authority had approved capital expenditure of ₹ 626.01 Crores (out of which 63% is of Terminal Building and 37% is allocated to electrical installations) towards Construction of Terminal Building in the Tariff Order for the First Control Period for PIA. However, the Authority notes that AAI has not executed the above project due to COVID-19 pandemic, resulting in non-incurrence of CAPEX by AAI. The Authority further notes that AAI has shifted the capitalization of this project to the Second Control Period i.e. FY 2023-24.

A3: Terminal Building (actual expenses incurred): The Authority analysed that AAI had incurred ₹ 0.30 Crores in the First Control Period towards Porta Cabin for SHA Expansion on the 1st floor. Further, ₹ 2.61 Crores had been incurred on Prefab structure for Terminal Building extension. The Authority notes that these expenses were approved in the Tariff Order for the First Control Period and therefore proposes to consider the same as part of True up of the First Control Period.

A12. CFT/Fire Fighting Equipment: The Authority observes that AAI has incurred ₹5.29 crore towards purchase of one CFT/ Fire Fighting Equipment, as against ₹4.03 crore approved in the Tariff Order for the First Control Period. As Firefighting equipment are essential from Airport and passenger safety, the Authority considers the same to be justifiable and in line with the cost incurred in other similar airports.

A7 and B20: Plant & Machinery: The Authority notes that AAI spent ₹24.51 crore (₹2.08 Cr. of planned expenses and ₹22.43 Cr. of unplanned expenses) over and above the approved CAPEX for the First Control Period. Year wise analysis of the expenses is as follows:

- i. FY 2018-19: CAPEX of ₹5.30 Crore was incurred towards procurement of Rubber Removal Machine; ₹ 0.32 Crores was incurred on CCTV cameras, Heavy Duty Grass Cutting Machine, Power Supply Augmentation and SITC of water cooler and water purifier.
- ii. FY 2019-20: CAPEX of ₹0.57 Crores was incurred on a 750 KVA DG Set to support infrastructure developments in the Airport.
- iii. FY 2020-21: ₹2.96 Crores was incurred towards HVAC, Fire Fighting, Fire Alarm, Wiring etc. towards extension of the Terminal Building and ₹ 2.12 Crores were incurred towards SITC of Public Address System, CCTV etc.

- iv. FY 2021-22: An amount of ₹0.66 Crores for a Conveyor Belt and other unplanned works.
- v. FY 2022-23: An amount of ₹5.18 Crores was incurred for Power Supply enhancements, PAPI lights (₹ 0.33 Cr), Transformers (₹ 0.35 Cr), DG Sets (₹ 0.78 Cr), WTP (₹ 0.47 Cr), Water Supply Pumps, Fire Fighting (₹ 1.02 Cr), Fire Alarm, and 33 KV Electric Connection (₹ 0.75 Cr).

The Authority through its Independent Consultant reviewed and verified each asset item in detail and found it essential and necessary for smooth conduct of Airport Operations and the actual cost amounting to ₹ 24.51 incurred therein is justifiable. The Authority considers all these expenditures as justified for operational requirements.

B14: Road, Bridges/Culverts: The Authority observes that AAI has carried out Widening and Strengthening of Perimeter Road with an allocation of ₹2.77 crore and Cooling Pit with Approach Path with an expenditure of ₹0.16 Crore.

Further, the Authority observes that AAI has spent ₹0.44 Crores for New Ramp area in FY 2018-19 and ₹0.61 Crores in FY 2019-20, for strengthening of the existing temporary aircraft stand. The Authority considers the same as crucial for security and safety of airport operations and proposes to consider this CAPEX for true up of the First Control Period.

A8 and B21. Tools & Equipment: The Authority notes that AAI has incurred ₹4.46 Crore (where in ₹0.60 is planned and ₹ 3.87 Crores is unplanned) for First Control Period , which include FIDS, Human Life Detector, CCTV cameras, Bomb Suit EOD, Real Time Viewing System, ETD, and Blast Inhibitor. The Authority considers all these expenditures as necessary for safety and security of the Airport and therefore considers the same as justifiable.

A9 and B23. Other Vehicles: The Authority notes that ₹2.72 crores had been incurred on vehicles which comprises of ₹ 1.08 Crores of approved CAPEX that includes BDDS Vehicle, Grass Cutting Machine and Mobile Command Post and ₹ 1.64 Crores of Unplanned CAPEX which includes Airport Runway Surface Friction Tester, 75 HP Tractor heavy duty (for grass cutting), Ambulifts etc. As these vehicles are for operational purposes, the Authority considers the same to be justifiable.

B15: The Authority had approved ₹ 14.61 Crores of CAPEX towards “Building Semi-Permanent” in the Tariff Order for the First Control Period. However, the Authority observes that this CAPEX has been categorised by AAI under unplanned CAPEX and shown as part of “Terminal Building”.

The Authority notes that AAI has incurred ₹ 12.94 Crores for Extension of Terminal Building in FY 2020-21 and ₹ 0.50 Crores for Extension & Modification of Baggage handling area in FY 2022-23. The Authority proposes to consider the same as part of True up of the First Control Period, as the same had been approved in the Tariff Order for the First Control Period.

B17. Other Building: The Authority notes that AAI spent ₹0.54 crore and ₹0.61 crore, respectively, on constructing CISF Commandant Office and Dog Kennel, which is within the Airport premises. The Authority observes that these projects essential for security purposes and therefore considers the same to be reasonable.

B22. Office Furniture: The Authority notes that ₹1.83 Crore was incurred by AAI towards purchase of furniture such as chairs, dustbins, check-in counters and baggage tables for the Terminal Building and considers the same to be reasonable.

B26: X- Ray Baggage System: The Authority notes that ₹ 1.96 Crores has been incurred by AAI on RB X-BIS amounting to ₹ 0.94 Crores and HB X-BIS amounting to ₹ 1.01 Crores. To avoid congestion at the Patna Airport and also, as a security related requirement, the Authority considers this CAPEX for True up of the First Control Period.

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

4.4.6 AAI has claimed an amount of ₹1.48 Crores towards Financing Allowance (FA) and IDC of ₹ 0.80 Cr. as part of its true up submission for the First Control Period.

4.4.7 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.

In the background of the above facts, the Authority proposes to consider IDC amounting to ₹ 0.80 Crores incurred by AAI on the debts availed for execution of capital projects in the First Control Period and proposes not to allow the Financing allowance of ₹ 1.48 Crores claimed by AAI for the First Control Period.

4.4.8 Based on the above, the Authority proposes to consider the actual CAPEX amounting to ₹ 91.68 Crores (after excluding Financing allowance of ₹ 1.48 Crores as explained in para 4.4.7) 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, Aprons and Taxiways	-	-	-	6.86	-	6.86
2	Building- Terminal	0.30	2.61	-	-	-	2.92
3	Building – Residential	-	-	-	-	19.44	19.44
4	Boundary Wall- Operational	-	0.09	-	-	-	0.09
5	Intangible Assets- Software	0.03	-	-	-	-	0.03
6	Plant & Machinery	0.16	0.15	-	-	1.77	2.08
7	Tools & Equipment	0.18	0.42	-	-	-	0.60
8	Other Vehicles	-	1.08	-	-	-	1.08
9	Other Office Equipment	0.17	-	0.14	-	-	0.32
10	CFT/Fire Fighting Equipment	5.29	-	-	-	-	5.29
	Total Approved CAPEX (A)	6.12	4.35	0.14	6.86	21.22	38.70
B. Unplanned/ Unapproved CAPEX incurred by Patna International Airport during First Control Period							
11	Runways, Aprons and Taxiways	-	-	-	0.65	-	0.65
12	Road, Bridges & Culverts	0.44	3.55	-	-	-	3.99
13	Building- Terminal	0.71	0.17	12.94	-	0.51	14.32
14	Building – Residential	-	-	-	-	0.73	0.73
15	Other Buildings-Unclassified	-	0.54	-	0.61	-	1.15
16	Computer & Peripherals: End User Devices	-	0.30	0.15	-	0.10	0.55
17	Intangible Assets- Software	-	0.10	-	-	-	0.10
18	Plant & Machinery	5.62	0.59	5.08	1.03	9.21	21.53
19	Tools & Equipment	0.13	2.67	0.44	0.61	0.01	3.87
20	Office Furniture	0.49	1.11	0.02	0.21	-	1.83
21	Other Vehicles	0.24	0.01	0.65	0.64	0.10	1.64
22	Other Office Equipment	0.14	0.30	-	-	-	0.45
23	Furniture & Fixtures: Trolley	0.18	-	-	-	-	0.18
24	X Ray Baggage System	0.04	1.96	-	-	-	2.00
	Total Unapproved Capex (B)	7.99	11.29	19.28	3.76	10.66	52.99
	Total CAPEX incurred (A+B)	14.12	15.64	19.42	10.62	31.88	91.68

4.4.9 The Authority proposes to consider CAPEX of ₹ 91.68 Crores (which only excludes Financing

Allowance of ₹ 1.48 Crores) as against CAPEX of ₹ 93.16 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 (₹ 91.68 Cr.) also includes unapproved CAPEX of ₹ 52.99 Crores, as the Authority notes that the same was incurred by AAI for PIA for passenger facilitation and/or security purposes and/or operational needs and/ or to 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/ 2017-18 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 in the year of capitalization of the assets.

4.4.12 Based on the above factors, the Authority has re-computed the depreciation as ₹ 22.54 Crores and the same is presented below:

Table 10 : Depreciation proposed by the Authority for True up of the First Control Period

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.06	0.04	0.04	0.04	0.04	0.22
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	0.06	0.25	0.31
Road, Bridges & Culverts	0.23	0.33	0.36	0.36	0.36	1.63
Building- Terminal	0.18	0.28	0.51	0.71	0.70	2.37
Building – Temporary	-	-	-	-	-	-
Building – Residential	0.14	0.15	0.11	0.11	0.32	0.82
Security Fencing – Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.30	0.31	0.30	0.16	0.10	1.18
Boundary Wall – Residential	0.03	0.03	0.03	0.03	0.02	0.15
Other Buildings-Unclassified	-	0.00	0.02	0.03	0.04	0.09
Computer & Peripherals : End User Devices	0.04	0.06	0.13	0.16	0.14	0.52
Intangible Assets- Software	0.00	0.01	0.03	0.03	0.03	0.09
Computer & Peripherals : Servers & Networks	-	-	-	-	-	-
Plant & Machinery	0.13	0.49	0.70	0.90	1.05	3.26
Tools & Equipment	0.02	0.13	0.25	0.30	0.31	1.02
Office Furniture	0.01	0.34	0.53	0.57	0.27	1.72
Other Vehicles	0.07	0.15	0.25	0.31	0.39	1.17
Electrical Installations	0.85	0.81	0.78	0.75	0.68	3.86
Other Office equipment	0.10	0.13	0.15	0.16	0.16	0.69
Furniture & Fixtures: Other Than Trolley	0.07	0.06	0.05	0.05	0.05	0.28

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Furniture & Fixtures: Trolley	0.02	0.03	0.03	0.03	0.03	0.14
X Ray Baggage System	0.09	0.20	0.19	0.19	0.19	0.85
CFT/Fire Fighting Equipment	0.57	0.52	0.35	0.35	0.35	2.15
Total	2.92	4.07	4.80	5.29	5.46	22.54

Note: Variance in the depreciation proposed by the Authority (₹ 22.54 Crores) and that claimed by AAI (₹ 23.36 Crores) is on account of following factors:

- Disallowance of Financing Allowance of ₹ 1.48 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

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Opening RAB (A)*	19.04	29.92	41.50	56.12	61.46	
Additions (B) (refer Table 9)	14.12	15.64	19.42	10.62	31.88	91.68
Disposal/Transfers (C)**	0.31	-	-	-	-	0.31
Depreciation (D) (Refer Table 10)	2.92	4.07	4.80	5.29	5.46	22.54
Closing RAB (E) = [(A) + (B) – (C) – (D)]	29.92	41.50	56.12	61.46	87.88	
Average RAB = [(A) + (E)]/2	24.48	35.71	48.81	58.79	74.67	

* Opening RAB has been obtained from Table No. 28 of Tariff Order 13/2019-20 dated October 24, 2019.

**Note: Disposals of ₹ 0.31 Crores is due to demolition of Quarters for clearing the area to facilitate the construction of Terminal Building.

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. Further, the Authority notes that the AAI has availed debt of ₹ 60.97 Crores @ 7.93% p.a. from FY 2020-21 to FY 2021-22 and ₹ 54.34 Crores for FY 2022-23 @ 8.25% p.a. (debts totalling to ₹ 115.31 Cr.). Further, the Cost of Equity is proposed by AAI as 16% and Cost of Debt is 7.93% during the First Control period.

The Authority observes that the cost of Debt for Patna International Airport varies from 6.75% to 8.25% during the First Control Period, which is higher in comparison to other AAI Airports, such as Bhubaneswar, Goa Pune etc. Further, AAI via email dated December 28, 2023 communicated that such increase is primarily due to the significant rise in benchmark rates of the SBI and Axis Bank term loans availed by AAI in different tranches during FY 2020-21 and FY 2021-22 respectively. Based on the above, the Authority considers the average of the Cost of Debt submitted by AAI in First Control Period.

4.5.2 Further, the Authority notes that AAI has availed debts amounting to ₹ 179.57 Cr. for the period from FY 2020-21 to FY 2024-25 (out of which ₹ 115.31 Cr was availed in the First Control Period and ₹ 64.26 Cr. in the Second Control Period). The Authority also notes that some major capital projects such as construction of Terminal Building, for which the debts were availed by AAI in the

First Control Period, have been shifted to the Second Control Period. In this scenario, the total debts availed by AAI in the First Control Period, appears to be higher than the assets capitalized as part of RAB in the First Control Period.

Therefore, the Authority for the purpose of determining FRoR proposes to consider the Debt :Equity ratio of AAI in the following manner:

Table 12: Debt Equity ratio considered by the Authority for determining FRoR

(in ₹ Crores)

Particulars	Amount (₹ Crores)	Remarks
Debts availed by AAI = (A)	179.57	
Capital additions proposed by AAI = (B)	1,041.03	Capital additions of only those years during which debt is availed by AAI has been considered, as it is presumed that debts are availed for execution of capital projects that were initiated in the First Control Period and proposed to be executed in the Second Control Period
Proportion of debt used for capital addition projects (C)= (A/B%)	17.24%	
Proportion of Equity used for capital addition projects (D) = 1- (C)	82.76%	
Proforma Debt – Equity ratio considered for determination of FRoR	17%:83%	The debt equity ratio of 17%:83% has been considered by the Authority for determining FRoR for the First and the Second Control Period.

- 4.5.3 Based on the above factors, the Authority has computed FRoR for the First Control Period by considering average cost of debt as 7.52% (based on cost of debt submitted by AAI for the 5 tariff years) and cost of Equity as 14% (as explained in para 7.2.1). The same is shown as follows:

Table 13: FRoR considered by the Authority for True up of the First Control Period

(in ₹ Crores)

Reference	Reference	Value
Cost of equity	A	14.00%
Cost of debt	B	7.52%
Proforma Gearing of Debt	C	17.00%
Proforma Gearing of Equity	D	83.00%
Fair Rate of Return	E = (C*B)+(1-C)*A	12.90%

- 4.5.4 Based on the above, The Authority proposes to consider FRoR @ 12.90% for True up of the First Control Period.

4.6 True up of Non-aeronautical revenues

- 4.6.1 The Authority notes that the actual Non-aeronautical revenue submitted by AAI for PIA for true up of the First Control Period is ₹ 57.87 Crores and the same has been presented in the table below:

Table 14: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for PIA

(₹ Crores)

Revenue Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
Restaurant / Snack Bars	2.53	2.84	1.51	1.82	3.13	11.84
T.R. Stall	1.34	1.23	0.75	0.93	1.29	5.56
Hoarding & Display	2.92	3.31	1.62	1.07	1.64	10.56
Land Leases	0.53	0.01	0.09	0.11	1.38	2.13
Building (Residential)	0.03	0.00	0.00	-	0.01	0.04
Building (Non-Residential)	3.66	3.42	2.00	1.61	1.29	11.97
Car Rentals	0.07	0.08	0.03	-	-	0.19
Car Parking	2.89	1.61	0.56	0.76	1.29	7.11
Admission Tickets	0.02	0.11	0.02	0.02	0.04	0.22
Other Income/ Sale Of Scrap	1.76	1.40	0.95	0.84	0.24	5.20
Dept. Adm. Charges*	-	-	-	-	3.07	3.07
TOTAL	15.76	14.02	7.54	7.17	13.39	57.87

* Department Administration Charges are in respect to Hangers with Offices, VIP Lounge and Flying Club offices, which AAI has constructed as deposit work.

4.6.2 The Non-aeronautical revenue approved by the Authority in the Tariff Order for First Control Period was ₹ 89.90 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 15: Non-aeronautical revenue approved in the Tariff Order by the Authority for the First Control Period

(₹ Crores)

S. No.	Revenue Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
1	Restaurant / Snack Bars	2.47	3.24	3.57	3.93	4.51	17.72
2	T.R. Stall	1.72	2.11	2.32	2.56	2.94	11.65
3	Hoarding & Display	2.58	2.84	3.13	3.44	3.95	15.94
4	Building (Residential)	0.03	0.03	0.03	0.03	0.03	0.15
4	Building (Non-Residential)	4.84	5.32	5.85	6.44	7.73	30.18
5	Car Rentals	0.07	0.08	0.09	0.10	0.11	0.45
6	Car Parking	1.36	1.49	1.64	1.80	2.08	8.37
7	Admission Tickets	0.22	0.29	0.33	0.38	0.48	1.7
8	Other Income/ Sale Of Scrap	0.68	0.71	0.75	0.78	0.82	3.74
	TOTAL	13.97	16.11	17.71	19.46	22.65	89.90

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 (₹ 57.87 Crores) submitted by AAI for PIA for the First Control Period is lower than that approved by AERA in the tariff order for the First Control Period (₹ 89.90 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 adverse effects of COVID 19 pandemic during FY 2020-21 to FY 2022-23. Moreover, the Authority observes that the project of Terminal Building has been shifted to the Second Control Period.

4.6.4 Based on the above analysis, the Authority proposes to consider the actual Non-aeronautical revenue as

presented in Table 14 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 PIA for true up of the First Control Period is ₹ 405.92 Crores and the same has been presented in the table below:

Table 16: Actual O&M expenses submitted by AAI for PIA 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	Payroll exp- Non CHQ/RHQ	13.66	19.39	18.33	17.48	21.68	90.54
2	Payroll exp- CHQ/RHQ	81.55	2.29	0.40	0.63	(0.41)	84.46
A	Total Payroll Expenditure(A)	95.20	21.68	18.74	18.11	21.27	175.00
3	Admin & Gen -Non CHQ /RHQ	3.28	3.73	4.33	4.22	5.61	21.17
4	Admin & Gen CHQ/ RHQ	27.74	25.78	31.79	33.38	35.05	153.73
B	Total Administration & General Expenditure (B)	31.02	29.52	36.12	37.60	40.65	174.90
C	Total R&M Expenses (C)	4.62	6.33	2.65	4.46	19.43	37.50
5	Power	1.93	2.32	1.92	2.69	2.97	11.83
6	Water	-	-	-	-	0.03	0.03
7	Consumption of Stores and Spares	0.25	0.36	0.44	0.46	0.51	2.03
8	Other charges	0.13	0.13	0.06	0.18	0.42	0.92
D	Utilities & outsourcing (D)	2.32	2.80	2.42	3.34	3.90	14.78
E	Other Outflow- Collection charges on UDF (E)	2.03	0.47	0.12	0.14	0.98	3.74
	TOTAL (A+B+C+D+E)	135.19	60.80	60.05	63.65	86.23	405.92

4.7.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period was ₹ 305.85 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 17: O&M expenses as per the Tariff Order for the First Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Payroll exp- Non CHQ/RHQ	17.16	18.43	19.72	21.1	24.68	101.09
Payroll exp- CHQ/RHQ	3.01	3.22	3.44	3.68	4.31	17.66
Total Payroll Expenditure(A)	20.17	21.65	23.16	24.78	28.99	118.75
Admin & Gen -Non CHQ /RHQ	2.35	2.56	2.8	3.05	3.42	14.18
Admin & Gen CHQ/ RHQ	20.52	21.55	22.62	23.76	24.94	113.39
Total Administration & General Expenditure (B)	22.87	24.11	25.42	26.81	28.36	127.57
Total R&M Expenses (C)	4.23	9.84	10.3	10.81	11.38	46.56
Utilities & outsourcing (D)	2.04	2.07	2.11	2.15	2.36	10.73
Other Outflow- Collection charges on UDF (E)	0.29	0.38	0.43	0.5	0.64	2.24
TOTAL (A+B+C+D+E)	49.60	58.05	61.42	65.05	71.73	305.85

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

4.7.3 The Authority notes a variance ₹ 100.07 Crores (32.71%) between the actual O&M expenses incurred by the PIA 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

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 payroll expenses other than CHQ/ RHQ submitted by AAI for PIA (₹ 90.53 Crores) is within the expense approved by the Authority in the Tariff Order of the First Control Period (₹ 101.09 Crores).

Therefore, the Authority proposes to consider the actual payroll expenses other than CHQ/RHQ of FY 2018-19 to FY 2022-23 for true up of the First Control Period.

- **Actuarial valuation retirement Benefits :** The Authority observes that AAI had submitted ₹ 81.55 Crores towards retirement benefits for FY 2018-19 which was significantly higher than the amount submitted for the other tariff years in the First Control Period. Upon enquiry, AAI vide email dated January 10, 2024 had clarified that the actual retirement benefit for FY 2018-19 was only ₹ 3.80 Crores and due to clerical errors, an incorrect amount of ₹ 81.55 Crores was submitted for FY 2018-19. The Authority has taken cognizance of the same while truing up the O&M expenses for 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 PIA 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 on a higher side 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 to be 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 18: Re-allocation of CHQ/ RHQ – Admin and Gen expenses proposed 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 (approved in the Tariff Order of the First Control Period)	20.52	21.55	22.62	23.76	24.94	113.39
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	27.74	25.78	31.79	33.38	35.05	153.74
Revised allocation of CHQ/ RHQ expenses proposed by the Authority = B	22.86	21.87	27.37	28.74	30.17	131.01
Variance (A-B)	4.88	3.91	4.42	4.64	4.88	22.73

The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalise the CHQ/ RHQ expenses being allocated to PIA.

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 (₹ 14.18 Crores) and actual expense claimed by AAI (₹ 21.17 Crores). The Authority notes that that such increase in

Administration Expenses is due to awarding of new contract from FY 2018-19 onwards which entailed higher upkeep expenses and also hiring of manpower and increase in travelling expenses due to revised Travel Allowances rates with effect from April 2019.

The Authority notes that AAI has incurred ₹ 1.19 Crores towards CSR expenses during the First Control Period (i.e., ₹ 0.51 Crores in FY 2018-19, ₹ 0.41 Crores in FY 2019-20 and ₹ 0.28 Crores in FY 2020-21). In this regard, the Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same has been provided as under:

Section 135 (1) of Companies Act, 2013 states that 'Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.' Further section 135(5) states that 'The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility'.

The Authority notes that PIA has incurred losses in all the five tariff years during First Control Period. Therefore, the Authority proposes not to consider the CSR expenses claimed by AAI and consider Administration expenses of ₹ 19.93 Crores for the true up of the First Control Period.

- **Repair and Maintenance (R&M) expenses:** The Authority notes that the actual repair and maintenance cost for the First Control Period amounts to ₹ 37.50 Crores and the same is within the amount of ₹ 46.56 Crores approved by AERA in the Tariff Order for the First Control Period. Further, the Authority notes that the said Repairs & Maintenance had been incurred by the PIA on account of operational requirements, which is explained as follows:
 - i R&M Civil amounting to ₹ 14.67 Crores were incurred towards modification of Toilet, renovation of VIP room, Borewell at CISF Barracks, Renovation of sewer line, replacement of old Signages, Renovation of BCS/IB/Civil Room
 - ii R&M Electrical amounting to ₹ 8.52 Crores were incurred towards Replacement of Low Tension cables, fire alarm & weighing scale & efficiency light, waterproofing of Exiting Terminal Building Area, Conveyor belt, water fountain and Annual maintenance charges.
 - iii Runway Recarpeting charges of ₹ 9.62 Crores had been incurred in FY 2022-23. The total expense on Runway Recarpeting amounts to ₹ 36.40 Crores, out of which ₹ 9.62 Crores had been charged off to expenses in FY 2022-23 and the balance has been amortized as equal instalments during the Second Control Period (from FY 2023-24 to FY 2026-27).

Based on the above factors, the Authority proposes to consider the actual R&M expenses amounting to ₹ 37.50 Crores incurred by AAI for True up of the First Control Period.

- **Utilities & Outsourcing Expenses:** These expenses include Power charges, Fees paid to outsiders, water charges ,hire charges of Car/Jeep & Consumption of Stores & Spares. AAI has incurred actual Utilities & Outsourcing Expenses of ₹ 14.78 Crores during First Control Period. However, the Actual Expense is much higher than the expense of ₹ 10.73 Crores approved in the Tariff Order for the First Control Period.

Power Expenses: AAI has incurred actual power charges of ₹ 14.69 Crores during First Control Period, out of which ₹ 2.86 Crores has been recovered from the Concessionaires and has claimed the

net power charges of ₹ 11.83 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the First Control Period.

The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarized in the table below:-

Table 19: 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
Electricity Consumed (in 000')	2,600	3,117	2,581	3,625	3,999	
Total power costs (A)	2.80	2.91	2.30	3.09	3.59	14.69
Recoveries from Concessionaires (B)	(0.86)	(0.59)	(0.38)	(0.40)	(0.62)	(2.86)
Recoveries (%) = (B/A%)	31%	20%	17%	13%	17%	
Net power costs (A-B)	1.93	2.32	1.92	2.69	2.97	11.83

However, the actual power charges claimed by AAI (₹ 11.83 Crores) is slightly higher than the approved expense of ₹ 10.73 Crores. The Authority notes that higher power costs were incurred in the First Control Period as the Patna International Airport became 24 hours operational Airport starting from FY 2018-19 which increased the electricity consumption as shown in the table above. Based on the above factors, the Authority proposes to consider the actual power costs incurred by AAI for Patna International Airport for true up of the First Control Period.

Water Charges : Expenses of ₹ 0.03 Crores had been incurred towards water charges to enhance passenger facilitation at the airport and the same is considered as reasonable. Therefore, the Authority proposes to consider the actual water costs incurred by AAI for Patna International Airport for true up of the First Control Period.

Consumption of Stores and Spares and other charges: The Authority notes that the actual expenses amounting to ₹ 2.03 Crores for the consumption of Stores & Spares expenses include petrol expenses for Jeep/ Car and other consumables. 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 Other charges includes Consultancy/ Advisory fees paid for the Consultancy services availed for Land/ Terminal Management services, ACI ASQ Survey Fees and hire charges-car/jeep & others by AAI for PIA. The Authority notes that the actual expenses amounting to ₹0.89 Crore incurred by AAI on such expenses towards consultancy has not been separately approved in the Tariff Order for the First Control Period. However, the Authority found such expenses incurred on actual basis is 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 20: 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 PIA	13.66	19.39	18.33	17.48	21.68	90.54
2	Expenditure for PIA employee's retirement benefits allocated at CHQ	3.80	2.29	0.40	0.63	(0.41)	6.72
A	Total Payroll expenditure (1+2)	17.46	21.68	18.74	18.11	21.27	97.26
3	Administrative and General Expenditure	2.77	3.32	4.05	4.22	5.56	19.93
4	Apportionment of Administration & General expenditure of CHQ/RHQ	22.86	21.87	27.37	28.74	30.17	131.01
B	Total Administration and General expenditure (3+4)	25.63	25.20	31.42	32.96	35.74	150.94
C	Repair & Maintenance Expenditure (Total)	4.62	6.33	2.65	4.46	19.43	37.50
5	Power Charges	1.93	2.32	1.92	2.69	2.97	11.83
6	Consumption of Stores and Spares	0.25	0.36	0.44	0.46	0.51	2.03
7	Other charges	0.13	0.13	0.06	0.18	0.42	0.92
D	Utility and Outsourcing Expenditure (5+6+7)	2.32	2.80	2.42	3.34	3.90	14.78
E	Other Outflows	2.03	0.47	0.12	0.14	0.98	3.74
	Total (A+B+C+D+E)	52.06	56.48	55.35	59.01	81.32	304.22

4.8 True up of Taxation

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

Table 21: Taxation submitted by AAI for PIA

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
REVENUE						
Aeronautical Revenue	41.25	56.02	52.47	58.81	72.96	281.51
Total Revenue (A)	41.25	56.02	52.47	58.81	72.96	281.51
EXPENSES						
O&M expenses	135.19	60.80	60.05	63.65	86.23	405.92
Dep. As WDV As Per Income Tax	2.13	3.89	5.42	6.98	7.30	25.71
Total Expenses (B)	137.32	64.69	65.46	70.63	93.53	431.63
Profit /Loss (A-B)	(96.07)	(8.67)	(12.99)	(11.82)	(20.57)	(150.12)
Tax Rates (D)	34.94%	25.17%	25.17%	25.17%	25.17%	
TAX (C*D)	-	-	-	-	-	

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 22 : Taxation proposed to be considered by the Authority

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Revenue (A)						
Aeronautical Revenue	41.25	56.02	52.47	58.81	72.96	
Total (A)	41.25	56.02	52.47	58.81	72.96	281.51
Expenses (B)						
O&M expenses (Refer Table 20)	52.06	56.48	55.35	59.01	81.32	304.22
Depreciation (as per Income Tax Act, 1961)	2.13	3.89	5.42	6.98	7.24	25.65
Total (B)	54.19	60.37	60.76	65.99	88.56	329.87
Profit /Loss (C=A-B)	(12.94)	(4.35)	(8.29)	(7.18)	(15.60)	(48.36)
Set off of prior period tax losses (D)						-
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)	-	-	-	-	-	

4.8.3 The Authority notes that AAI has incurred losses during the First Control Period i.e., from FY 2018-19 to FY 2022-23. Therefore, The Authority proposes to consider Aeronautical Tax as Nil for true up of the First Control Period, as shown in Table 22.

4.9 True up of Aeronautical Revenue

4.9.1 AAI has submitted the actual Aeronautical revenue for the First Control Period for PIA, which is as follows:

Table 23: Aeronautical revenue submitted by AAI for PIA

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Parking & Housing Charges Revenue						
Landing (Dom)	19.76	24.48	20.03	25.43	28.23	117.93
Parking & Housing	0.01	0.01	0.12	0.02	0.01	
PSF and UDF Charges						
PSF(Facilitation)-Domestic	15.06	11.31	0.00	-	-	26.38
UDF Domestic	-	14.08	27.15	28.57	37.50	107.31
Other Revenue						
Throughput Charges	0.52	0.28	0.92	-	-	1.72
Land Lease	1.89	1.75	1.74	1.99	2.10	9.48
Ground Handling Charges	0.60	0.53	0.50	0.21	0.97	2.81
Royalty from Cute Charges	3.38	3.54	1.64	2.45	3.90	14.91
Extn. Of watch hours	-	-	0.00	0.05	-	0.05
Royalty cargo revenue-30%	0.03	0.03	0.38	0.10	0.24	0.77
Total	41.25	56.02	52.47	58.81	72.96	281.51

4.9.2 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2018-19 to FY 2022-23) and noted no deviations. Therefore, the Authority proposes

to consider the Aeronautical revenue as per Table 23 for True up of the 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 First Control Period which is enumerated in the table below:

*Table 24: 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	24.48	35.71	48.81	58.79	74.67	
FRoR (refer Table 13)	B	12.90%	12.90%	12.90%	12.90%	12.90%	
Return on Average RAB	I = (a) * (b)	3.16	4.61	6.30	7.58	9.63	31.27
Depreciation (refer Table 10)	(d)	2.92	4.07	4.80	5.29	5.46	22.54
O&M expenses (refer Table 20)	(e)	52.06	56.48	55.35	59.01	81.32	304.22
Tax (refer Table 22)	(f)	-	-	-	-	-	-
Interest on Working Capital	(g)	4.42	1.42	0.53	0.64	0.95	7.96
Add: Under recovery of Pre-Control Period (FY 2016-17 and FY 2017-18)	(h)	37.43					37.43
Gross ARR	(i) = (c+ d+ e+ f+ g+h)	99.99	66.58	66.97	72.52	97.36	403.42
NAR (refer Table 14)		15.76	14.02	7.54	7.17	13.39	57.87
Less 30% NAR	(j)	4.73	4.21	2.26	2.15	4.02	17.36
Net ARR	(k) = (i- j)	95.26	62.38	64.71	70.37	93.34	386.06
Actual Aeronautical Revenue (refer Table 23)	(l)	41.25	56.02	52.47	58.81	72.96	281.51
Under/ (Over) recovery of First Control Period	m=(k-l)	54.01	6.36	12.24	11.56	20.38	104.55
Discount Factor (@12.90%)	(n)	1.83	1.62	1.44	1.27	1.13	
Under/ (Over) recovery of First Control Period as on March 31, 2024	(m*n)	99.06	10.33	17.61	14.73	23.01	164.75
True up of Under Recovery of First Control Period as on March 31, 2024				164.75			

4.10.2 The Authority has re-computed the under-recovery of ₹ 164.75 Crores in the First Control Period as against ₹ 361.90 crores claimed by AAI 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 ₹ 1.48 Crores.
- Determination of FRoR as 12.90% as against 14% claimed by AAI.

- iii. Rationalisation of O&M expenses such as CHQ/ RHQ expenses, Administration expenses, etc. amounting to ₹ 101.70 Crores (which also includes rectification of the clerical error in the submission of Actuarial valuation of retirements by AAI as detailed Para 4.7.4).

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 PIA

- 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 13 for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 14 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 20 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 23 for true up of the First Control Period for PIA.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 24 for true up of the First Control Period for PIA 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 PIA

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

Table 25: Historical passenger and ATM traffic at PIA (in numbers)

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2016-17	21,12,150.00	-	21,12,150.00	15,508.00	-	15,508.00
2017-18	31,11,273.00	-	31,11,273.00	21,916.00	-	21,916.00
2018-19	40,61,990.00	-	40,61,990.00	28,087.00	-	28,087.00
2019-20	45,25,765.00	-	45,25,765.00	30,953.00	-	30,953.00
2020-21	27,10,000.00	-	27,10,000.00	21,572.00	-	21,572.00
2021-22	29,67,681.00	-	29,67,681.00	25,501.00	-	25,501.00
2022-23	37,48,635.00	-	37,48,635.00	27,931.00	-	27,931.00

5.1.2 The traffic growth rates (Y-o-Y) and traffic as submitted by AAI for the Second Control Period are as follows:

Table 26: Traffic growth rates and traffic proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates (based on FY 22-23)						
2023-24	22.00%	-	22.00%	18.00%	-	18.00%
2024-25	15.00%	-	15.00%	12.00%	-	12.00%
2025-26	14.00%	-	14.00%	12.00%	-	12.00%
2026-27	14.00%	-	14.00%	12.00%	-	12.00%
2027-28	12.00%	-	12.00%	11.00%	-	11.00%
Traffic						
2023-24	45,73,335	-	45,73,335	32,959	-	32,959
2024-25	52,59,335	-	52,59,335	36,914	-	36,914
2025-26	59,95,642	-	59,95,642	41,343	-	41,343
2026-27	68,35,032	-	68,35,032	46,304	-	46,304
2027-28	76,55,235	-	76,55,235	51,398	-	51,398

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 of PIA's Submission on Traffic for the Second Control Period

5.2.1 As part of its examination of AAI's forecast of traffic at PIA, 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 2020-21 to FY 2022-23 (3-year CAGR).

5.2.2 The Authority notes that 5-year CAGR of Domestic passenger and ATM is significantly low due to the COVID 19 pandemic. The CAGR details so computed have been provided in the table below:

² Source: Traffic News from AAI website

Table 27: CAGR for passenger traffic and ATM

Particulars	5-year CAGR	3-year CAGR
Passengers:		
Domestic	-2%	18%
ATM:		
Domestic	0%	14%

5.2.3 The Authority notes that the wide variation in traffic in the recent past, had caused the 3-year CAGR to be the highest for Domestic Passenger Traffic.

5.2.4 The Authority notes that PIA has growth of 26% and 10% in domestic passenger traffic and domestic ATM traffic respectively for FY 2022-23 (over previous financial year).

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

The 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:

5.2.5 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.*

5.2.6 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

- 5.2.7 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 5.2.6 and para 5.2.7 above for arriving at the revised traffic projections.
- 5.2.8 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.
- 5.2.9 The Authority notes that AAI has projected the passenger traffic growth rate of 22% for FY 2023-24, 15% for FY 2024-25, 14% for FY 2025-26 to FY 2026-27 and 12% for FY 2027-28. Further, for ATM, AAI has proposed 18% for the FY 2023-24, 12% for to FY 2024-25 to FY 2026-27 and 11% for FY 2027-28 in its MYTP. The Authority takes cognizance of the rebounding of domestic passenger traffic in FY 2022-23. Further, with the commissioning of New Terminal Building in FY 2024-25, the Authority is of the view that PIA 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 PIA to be reasonable and proposes to consider the same for the Second Control Period.
- 5.2.10 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 Millions)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
As submitted by AAI for PIA	4.57	5.26	5.99	6.84	7.66	30.32
As proposed by the Authority	4.57	5.26	5.99	6.84	7.66	30.32
Y-o-Y growth of Domestic PAX submitted by AAI for PIA	22.00%	15.00%	14.00%	14.00%	12.00%	
Y-o-Y growth of Domestic PAX proposed by the Authority	22.00%	15.00%	14.00%	14.00%	12.00%	
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 PIA	32.96	36.91	41.34	46.30	51.40	208.92
Domestic ATM proposed by the Authority	32.96	36.91	41.34	46.30	51.40	208.92
Y-o-Y growth of Domestic ATM submitted by AAI for PIA	18%	12%	12%	12%	11%	
Y-o-Y growth of Domestic ATM proposed by the Authority	18%	12%	12%	12%	11%	

Note: There is no international traffic at Patna Airport.

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

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

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

- 5.2.1 To consider the ATM and passenger traffic for the Second Control Period for PIA as per Table 28.
- 5.2.2 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

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

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

6.1.1 AAI has submitted for PIA 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 for 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	%
						Aero	Non- Aero		Aeronautical
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land Leasehold	0.38	-	-	0.38	-	-	-	0.38	0.00%
Runway, Taxi Way & Apron	11.88	-	-	11.88	-	-	-	11.88	100.00%
Road, Bridge & Culverts.	18.48	0.12	-	18.35	-	-	-	18.35	99.33%
Terminal Building	28.73	0.11	1.80	24.80	2.03	1.74	0.29	26.54	92.37%
Buildings – Temporary	0.30	-	-	0.30	-	-	-	0.30	100.00%
Buildings – Residential	36.68	11.94	-	24.71	0.03	0.03	-	24.74	67.44%
Security Fencing	0.08	-	-	0.08	-	-	-	0.08	100.00%
Boundary Wall- Operational	4.06	-	-	4.06	-	-	-	4.06	100.00%
Boundary Wall-Residential	0.55	0.22	-	0.33	-	-	-	0.33	60.67%
Computers & Peripherals- End User Devices	1.04	0.15	0.01	0.89	-	-	-	0.89	85.11%
Computer Software	0.54	0.01	-	0.52	0.01	0.01	0.00	0.53	97.86%
Computers & Peripherals- Servers & Networks	0.52	-	-	0.52	-	-	-	0.52	100.00%
Plant and Machinery	48.02	10.97	0.00	37.05	-	-	-	37.05	77.15%
Tools & Equipment	6.34	1.14	-	5.20	-	-	-	5.20	81.98%
Vehicles	3.97	0.21	-	3.72	0.04	0.04	0.00	3.76	94.69%
Electrical Installations	19.54	3.51	0.37	10.54	5.11	4.39	0.72	14.93	76.42%
Office Equipment	1.56	0.20	-	1.25	0.11	0.10	0.00	1.36	86.99%
Furniture & Fixtures- Freehold-Operational Area	1.43	0.02	-	1.03	0.39	0.34	0.05	1.36	95.25%
Furniture & Fixtures – Trolleys	0.59	-	-	0.59	-	-	-	0.59	100.00%
X-Ray Equipment	5.86	-	-	5.86	-	-	-	5.86	100.00%
CFT & Firefighting equipment	16.83	-	-	16.83	-	-	-	16.83	100.00%

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	%
						Aero	Non-Aero		Aeronautical
Total	207.37	28.60	2.17	168.88	7.71	6.65	1.06	175.53	84.65%

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

6.1.2 As mentioned under para 4.4.7, the Authority has not allowed Financing allowance of ₹ 1.48 Crores, capitalized by PIA during the First Control Period.

6.1.3 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	Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	%
						Aero	Non-Aero		Aeronautical
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land Leasehold	0.38	-	-	0.38	-	-	-	0.38	0.00%
Runway, Taxi Way & Apron	11.30	-	-	11.30	-	-	-	11.30	100.00%
Road, Bridge & Culverts.	18.48	0.12	-	18.35	-	-	-	18.35	99.33%
Terminal Building	28.73	0.11	1.80	24.80	2.03	1.74	0.29	26.54	92.37%
Buildings – Temporary	0.30	-	-	0.30	-	-	-	0.30	100.00%
Buildings – Residential	36.68	11.94	-	24.71	0.03	0.03	-	24.74	67.44%
Security Fencing	0.08	-	-	0.08	-	-	-	0.08	100.00%
Boundary Wall- Operational	4.06	-	-	4.06	-	-	-	4.06	100.00%
Boundary Wall-Residential	0.55	0.22	-	0.33	-	-	-	0.33	60.67%
Computers & Peripherals- End User Devices	1.04	0.15	0.01	0.89	-	-	-	0.89	85.11%
Computer Software	0.54	0.01	-	0.52	0.01	0.01	0.00	0.53	97.86%
Computers & Peripherals- Servers & Networks	0.52	-	-	0.52	-	-	-	0.52	100.00%
Plant and Machinery	48.02	10.97	0.00	37.05	-	-	-	37.05	77.15%
Tools & Equipment	5.44	1.14	-	4.30	-	-	-	4.30	79.00%
Vehicles	3.97	0.21	-	3.72	0.04	0.04	0.00	3.76	94.70%
Electrical Installations	19.52	3.51	0.37	10.54	5.11	4.39	0.72	14.93	76.47%
Office Equipment	1.56	0.20	-	1.25	0.11	0.10	0.00	1.36	87.05%
Furniture & Fixtures-Freehold-Operational Area	1.43	0.02	-	1.03	0.39	0.34	0.05	1.36	95.27%
Furniture & Fixtures – Trolleys	0.59	-	-	0.59	-	-	-	0.59	100.00%
X-Ray Equipment	5.86	-	-	5.86	-	-	-	5.86	100.00%
CFT & Firefighting equipment	16.83	-	-	16.83	-	-	-	16.83	100.00%

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	Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	%
						Aero	Non-Aero		
Total	205.88	28.60	2.17	167.39	7.71	6.65	1.06	174.05	84.54%

Note: The Gross Block ratio has changed due to exclusion of FA amounting to ₹ 1.48 Crores.

6.1.4 The total Gross block of Aeronautical assets, as on April 1, 2023 is ₹ 205.88 Crores (which excludes Financing Allowance of ₹ 1.48 Crores).

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

6.2 Capital expenditure for the Second Control Period

6.2.1 AAI has proposed capital expenditure of ₹ 977.62 Crores for the Second Control Period for PIA, which has been summarized in the table below:

Table 31: Summary of Capital Expenditure projects submitted by AAI for PIA for Second Control Period

(₹ Crores)

Project/Group	No.	Particulars	Amount
Capital expenditure proposed for the Second Control Period	1	Taxiways & Aprons	55.59
	2	Road, Bridges & Culverts	81.68
	3	Building- Terminal	438.35
	4	Building – Residential	3.71
	5	Boundary Wall -Operational	3.41
	6	Other Buildings-Unclassified	34.12
	7	Electrical Installations	272.68
			Capital expenditure proposed for the Second Control Period
IDC			15.95
Financing allowance (FA)			72.13
Total (including FA)			977.62

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

- 6.2.2 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.
- 6.2.3 The Authority notes that AAI has conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure for Construction of New Terminal to meet the requirements of robust traffic growth and passenger facilitation at Patna International Airport. The same has been approved in the AUCC meeting no AAI/PAT/DGM(E-C)/Termining building/ dated January 17, 2017. 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.
- 6.2.4 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. New Capital Addition projects proposed by AAI for Patna International Airport for the Second Control Period.
- 6.2.5 The Authority notes that AAI subsequently, vide email dated December 22, 2023, has revised the projection for the following capital addition projects.
- i. Construction of RCC Drains at PIA.
 - ii. Construction of Apron after facilitating New Terminal Building
- 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:

6.2.6 The capital additions, as projected by AAI has been grouped and explained in the table below:

Table 32: Project wise Capital Expenditure submitted by AAI for PIA for Second Control Period
(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance	Interest During Construction	Total CAPEX (incl. FA and IDC)
			(includes design, PMC, Pre-operative expenses etc)	(FA)	(IDC)	
A. Capital additions projects shifted from the First Control Period to the Second Control Period						
A1 Road, Bridges & Culverts						
i)	Elevated road with ramps	2023-24	76.28	7.18	1.49	84.96
ii)	Link Bridge (civil)	2023-24	5.40	0.53	0.11	6.05
A2 Building- Terminal						
i)	Construction of Terminal Building (Civil)	2023-24	430.48	34.42	7.69	472.59

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	Financing allowance	Interest During Construction	Total CAPEX (incl. FA and IDC)
			(includes design, PMC, Pre-operative expenses etc)	(FA)	(IDC)	
ii)	Construction of MeT Building	2024-25	7.87	0.78	0.16	8.81
A3.	Building- Residential					
i)	Construction of Community centre (Civil)	2023-24	3.71	0.37	0.07	4.15
A4.	Other Building					-
i)	Construction of Fire Station (Civil)	2023-24	11.81	1.17	0.23	13.21
ii)	Construction of Administration Block (Civil)	2023-24	13.16	1.27	0.25	14.68
iii)	Construction of M T Pool (Civil)	2024-25	9.15	1.24	0.26	10.65
A5.	Electrical Installations					-
i)	Construction of Fire Station	2023-24	1.45	0.14	0.03	1.62
ii)	Construction of Terminal Building	2023-24	255.22	20.40	4.56	280.18
iii)	Construction of Administration. Block	2023-24	4.41	0.47	0.09	4.96
iv)	Construction of M T Pool	2024-25	3.35	0.45	0.10	3.90
v)	Construction of Met Building	2024-25	2.27	0.22	0.05	2.54
vi)	Link Bridge	2023-24	0.74	0.07	0.01	0.83
vii)	Construction of Community centre	2023-24	0.90	0.09	0.02	1.00
		TOTAL (A)	841.33	68.80	15.12	910.13
B. New Capital Addition projects proposed by AAI for the Second Control Period						
B1	Taxiways & Apron					
i)	Construction of PTT & Allied work	2023-24	37.94	2.05	0.51	40.50
ii)	Construction of Apron (Civil)	2024-25	51.30	0.15	0.04	51.49
B2	Road, Bridges & Culverts					
i)	Construction of RCC Drain	2023-24	38.39	0.10	0.02	38.51
ii)	Construction of IAPP (Civil)	2023-24	11.22	0.61	0.15	11.98
B3	Boundary Wall					
i)	Construction of B/Wall & Watch Tower	2023-24	3.41	0.18	0.05	3.64
B4	Electrical Installations					
i)	Construction of PTT & Perimeter Road	2023-24	3.18	0.17	0.04	3.39
ii)	Construction of IAPP	2023-24	1.16	0.06	0.02	1.24
		TOTAL (B)	146.60	3.32	0.83	150.75
	Capital expenditure proposed for the Second Control Period	TOTAL (A+B)	972.81	72.13	15.95	1,060.88

6.2.7 The Authority has examined the CAPEX projects submitted by AAI, which is as follows:

A. Capital additions projects shifted from the First Control Period to the Second Control Period

A1 - Road, Bridges & Culverts

- i Elevated road with ramps: The Authority observes that this project was part of the project on construction of Terminal Building and was approved in the Tariff Order for the First Control Period for ₹76.28 Crores. AAI has proposed capitalisation of this asset in FY 2023-24. However, this project got delayed on account of delay in completion of the project on construction of Terminal Building. Based on the site visit conducted by the Independent Consultant, the Authority observes that this project is in progress and may be considered for capitalisation in FY 2024-25. Therefore, the Authority proposes to consider capitalisation of this project for ₹ 76.28 Crores in FY 2024-25. Further, the Authority proposes to re-allocate this asset to Aeronautical activities in the Terminal Building ratio of 90:10 as considered by AAI for apportionment of cost of construction of the project on Terminal Building in the MYTP submitted for the Second Control Period of PIA (refer para 6.2.10).
- ii Link Bridge: The Authority notes that this CAPEX was also part of the Terminal Building project, which was approved for ₹5.40 Crores for capitalization in FY 2022-23 AAI has proposed capitalisation of this asset in FY 2023-24. However, this project got delayed on account of delay in completion of the project on construction of Terminal Building. Based on the site visit conducted by the Independent Consultant, the Authority observes that this project is in progress and there may be time lag in the completion and commissioning of the asset. Therefore, based on the above factors, the Authority proposes to consider capitalisation of this project for ₹ 5.40 Crores (civil works) in FY 2024-25. Further, the Authority proposes to re-allocate this asset to Aeronautical activities in the Terminal Building ratio of 90:10 as considered by AAI for apportionment of cost of construction of the project on Terminal Building in the MYTP submitted for the Second Control Period of PIA (refer para 6.2.10).

A2 - Building- Terminal

The Authority examined the capital expenditure for Terminal Building approved in the First Control Period and identified that major CAPEX has not been executed in the First Control Period due to COVID-19 pandemic. AAI has proposed to shift the said CAPEX on Terminal Building from the First Control Period to the Second Control Period. The Authority has examined the CAPEX which was approved in First Control Period and proposed in the Second Control Period for the construction of Terminal Building and the same is as follows:

- i Construction of Terminal Building (Civil) : The Authority observes that this project was approved in the Tariff Order for the First Control Period for ₹398.35 cr (civil costs) and ₹227.66cr (towards electrical installations). The total cost of the project of Terminal Building as per MYTP Submission of AAI is ₹ 761.89 Crores (where ₹ 478.31 Crores is allocated for civil work and ₹ 283.58 Crores is for electrical installation). The above cost has been allocated by AAI in the Terminal Building ratio of 90:10 whereby, the aeronautical costs of the Terminal Building amounts to ₹ 685.70 Crores (₹ 430.48 Crores for civil work and ₹ 255.22 Crores for Electrical Installations) and the same has been submitted by AAI in the MYTP. However, this project got delayed due to COVID-19 pandemic and contractual issues. With the commissioning of the new Terminal Building, it is

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expected that the designed capacity of PIA will increase from 2.3 MPPA to 8 MPPA. The Authority notes that AAI has proposed the Aeronautical cost of ₹430.48 Crores towards civil works and ₹255.22 Cr. towards Electrical Installations for this project on New Terminal Building in its MYTP submission. The Summary of the CAPEX projected by AAI towards Terminal Building in the First and Second Control Period is as follows:

Table 33: Summary of CAPEX projected by AAI towards Terminal Building in the First and Second Control Period

(₹ Crores)

Construction of Terminal Building	First Control Period	Second Control Period	Remarks
Cost of civil works	398.35	430.48	The increase in the total costs of the project on Construction of Terminal Building from ₹ 626 Cr to ₹ 685.70 Cr (which is 9.53%) is due to inflationary adjustment
Cost of Electrical Works	227.66	255.22	
Total	626.01	685.70	

Additionally, the Authority has considered the Normative rates of Terminal Buildings, adjusted with Inflation Indices as applicable for different periods. The same has been explained as under:

Table 34: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Terminal Building

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Terminal Building (A)*	₹ 1,00,000				
Inflation ** (B)	Base Year	7.14%#	9.42%	0.30%	3.80%
Inflation adjusted Rate per Sq.m. (in ₹)	1,00,000	1,07,140	1,17,233	1,17,584	1,22,052
Rate per Sqm (in ₹) incl. GST @ 6% (refer Note below)					1,29,376

* Normative cost of ₹ 1,00,000 considered, based on the normative rate applied by AERA for examining cost of Terminal Building of other similar Airports of AAI.

** Source: Reserve Bank of India Publications (<https://www.rbi.org.in/Scripts/Publications>)

The Authority observes that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority felt that the inflation rate of FY 2021-22 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18, 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority had considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%. The Authority had considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions

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.

As shown in the above table the normative rate (inclusive of GST) for FY 2024-25 is ₹ 1,29,375 per Sqm. However, the Authority notes that the total cost of Terminal Building and Electrical Installations proposed by AAI amounts to ₹ 761.89 Crores (which is ₹ 1,16,935 per sqm) which is within the normative costs determined by the Authority. The Authority reviewed the AUCC meeting conducted by AAI for Patna International Airport on January 1, 2017, which highlighted the saturation of existing capacity of terminal building while also considering the assessment and allocation of the required infrastructure, logistics, and manpower resources for initiating a 24-hour flight operation at Patna Airport to cater the needs of frequent flyer businessman and shifting of the temporary Police Out Post with respect to the above project on Construction of New Terminal Building.

Further, the Authority based on the site visit through its Independent Consultant on November 5, 2023, assessed the progress of various activities related to the Terminal Building and observes that the structural work of the Terminal Building are nearly complete. However, the interior works such as flooring, false ceiling, Airport Systems and IT-related works are also in progress. Given the intricate nature and current progress of these tasks, the Authority is of the view that the said CAPEX may be completed in the next Financial Year, i.e. FY 2024-25. In view of the above, the Authority proposes to consider capitalization of this project for ₹ 685.70 Crores (₹ 430.48 Crores for civil work and ₹ 255.22 Crores) in FY 2024-25.

- ii **Construction of Meteorological Building (MeT) Building:** AAI proposed this project towards civil works for construction of MeT Building amounting to ₹ 7.87 Crores, as part of Terminal Building in the Tariff Order for the First Control Period which was delayed due to COVID-19. The Authority notes that this project work has been proposed by AAI for the current control period for the same amount of ₹7.87 Crores (as approved in the Tariff Order for the First Control Period). As this project has been already approved by AERA in the Tariff Order of the First Control Period, the Authority considers the same to be reasonable and therefore proposes to consider cost of this project as ₹7.87 Crores for capitalization in FY 2024-25.

A3 - Building- Residential

- i **Construction of Community Centre (Civil):** This project was approved as part of Terminal Building for ₹ 3.90 Crores in the Tariff Order for the First Control Period. However, the execution of this project got delayed due to COVID-19 pandemic. The total cost of this project amounts to ₹ 6.36 Cr and AAI has applied Aeronautical ratio of 58% to derive Aeronautical costs of ₹3.71 Crores, which has been submitted in the MYTP, for capitalization in FY 2023-24. AAI has now proposed this project under Residential Buildings, which the Authority considers to be reasonable. Based on the above examination and the site visit through its Independent Consultant, the Authority notes that this project may be commissioned in FY 2024-25. Therefore, the Authority proposes to consider cost of this project as ₹3.71 Crores for capitalisation in FY 2024-25.

A4- Other Building

- i **Construction of Fire Station (Civil):** The Authority notes that this project was approved in the Tariff Order for the First Control Period under New Terminal Building, with proposed capitalisation in FY 2019-20. However, due to delays caused by the COVID pandemic, the project has now been proposed for the Second Control Period under Other Buildings for ₹11.81 Crores.

The Authority finds the costs as reasonable and based on its site visit through its Independent Consultant, proposes to consider capitalisation of this project in FY 2023-24.

- ii **Construction of Administration Block (Civil):** The Authority notes that this project was

approved in the Tariff Order for the First Control Period under New Terminal Building. However, due to delays caused by the COVID pandemic, the project has now been proposed for the Second Control Period. The total cost of this project is ₹13.64 Crores and AAI has applied Aeronautical ratio of 96% to derive Aeronautical costs of ₹13.16 Crores, which has been submitted in the MYTP, for capitalization in FY 2023-24

Further, the Authority notes that the above costs proposed by AAI has also been approved in the Tariff Order for the First Control Period, which the Authority finds to be reasonable. Further, based on its site visit through its Independent Consultant, the Authority proposes to consider the capitalisation of this project in FY 2024-25.

- iii **Construction of Mechanical Transport Pool (Civil):** The Authority notes that this project was approved in the Tariff Order for the First Control Period under Terminal Building. However, this project got delayed due to COVID – 19 pandemic and AAI has proposed capitalization of this project in FY 2024-25.

Based on its examination, the Authority considers the cost of Civil works of ₹9.15 Crores (which was approved in the Tariff Order for the First Control Period) to be reasonable and proposes to consider this CAPEX for capitalisation in FY2024-25.

A5 - Electrical Installations

- i **Construction of Fire Station:** As stated in para 6.2.7 A4 (i), the Authority observes that AAI has proposed an amount of ₹1.45 Crores for electrical installations of Fire Station. Based on the information reviewed by the Authority, the justification thereon, the capitalisation of the said project is proposed to be considered in FY 2023-24.
- ii **Construction of Terminal Building:** This has been explained in para 6.2.7 A2 (i) above.
- iii **Construction of Administration Block:** AAI has proposed ₹ 4.4 Crores towards electrical installations for construction of Admin Block. As stated in para 6.2.7 A4 (ii), the Authority proposes to consider capitalisation of this project in FY 2024-25.
- iv **Construction of Mechanical Transport Pool:** AAI has proposed for a new MT workshop/pool for ₹3.35 Crores towards electrical installations and the same was approved in the Tariff Order for the First Control Period. As stated in para 6.2.7 A4 (iii), the Authority considers the costs to be reasonable and proposes to consider capitalisation in FY 2024-25.
- v **Construction of Met Building:** As stated in para 6.2.7 A2 (ii), this work is necessary for the facilitating the construction of Terminal Building. The Authority considers the electrical work amounting to ₹ 2.27 Crores as reasonable.
- vi **Link Bridge:** The Authority notes that this project is a part of construction of Terminal Building approved in the First Control Period (As stated in para 6.2.7 A1 (ii)). Further, AAI has proposed the cost of Electrical Installations for this project as ₹0.74 Crores for capitalisation in FY 2023-24. Accordingly, the Authority based on its analysis given in para 6.2.7 A1 (ii) proposes to consider capitalisation of this project in FY 2024-25, after allocating to Aeronautical activities in the Terminal Building Ratio of 90:10.

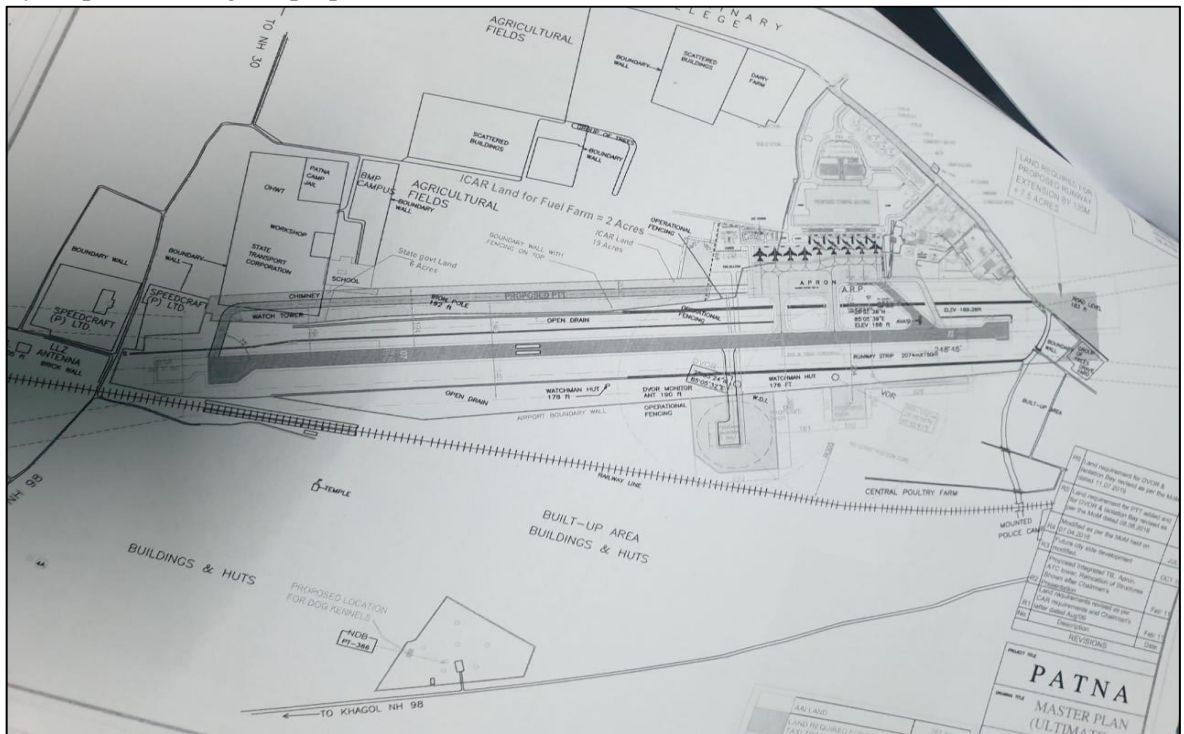
vii **Construction of Community Centre:** The Authority observes that AAI has proposed Electrical Installations of Community Centre for ₹0.90 Crores and finds the same to be reasonable. However, as stated in para 6.2.7 A3 (i), the Authority proposes capitalization of this asset in FY 2024-25.

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

B1 – Taxiways and Apron

i **Construction of PTT & Allied work (Civil) :** The Authority based on the current ATM, traffic has taken cognizance of the congestion in the current Runway at Patna Airport, necessitating an increase in capacity. AAI has proposed the construction of a Parallel Taxi Track (PTT) on the north side of the runway, along with Link Taxiways at both ends to achieve the increased capacity. AAI has projected cost for civil works as ₹37.94 Crores for capitalisation in FY 2023-24. The project is currently combined with the Re-carpeting of Runway, Isolation Bay, Taxiway link to new Apron, and associated works.

The Authority based on the site visit through its Independent Consultant identifies the area of PTT as 42,670 sq m. (Main Pavement- 31,947sqm, Shoulder – 9,723 sqm and Fillets – 1,000 sqm). The layout plan showing the proposed PTT and the stretch of Perimeter Road is shown below: -



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

Table 35: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Taxiway for Patna 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	FY 2025-26
Taxiway (A)	4,700										

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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	FY 2025-26
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%	3.80%	3.80%
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	6,453	6,698
Rate per Sqm incl. GST @ 6% (refer Note below)										6,840	7,100

* 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>)

The Authority observes that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority felt that the inflation rate of FY 2021-22 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18, 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority had considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%. The Authority had considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions

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.

In view of the above, the Authority has derived the Normative costs of PTT, which is as follows:

Table 36: Normative cost of PTT derived by the Authority for Patna International Airport

(in ₹ Crores)

Work	Cost proposed by AAI in MYTP	Cost as per Normative Rate	Cost proposed to be considered by Authority
Civil Works			
i. Above Subgrade		29.18	
ii. Below Subgrade		2.90	
Total Civil Works	35.84	32.08	32.08
Electrical Works	3.18	3.18	3.18
Total	39.02	35.26	35.26
Perimeter Road*	2.10	2.10	2.10
Total	41.12	37.36	37.36

* The Authority notes that there is perimeter road parallel to the PTT, which has also been included by AAI in the cost of PTT in the MYTP submission.

Based on the above analysis, the Authority proposes to consider capitalisation of PTT for ₹ 35.26 Cr. and Perimeter road for ₹ 2.10 Cr. in FY 2024-25, taking into account the hindrances/ constraints in the execution of this project. 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 **Construction of Apron (Civil)** : The Authority observes that AAI has designed the layout of Apron, considering the future demand. AAI have planned the total Apron works in 3 phases and the same is explained as follows:

- Phase I at east side of the existing apron was approved in the Tariff Order for the First Control Period. The area of this Apron is 5,653sqm and the said work had been completed in the First Control Period at a cost of ₹ 7.37 Cr.
- Phase II pertains to the North West corner of the existing Apron, which has an area of 13,455 sqm (including Delta Taxiway of 6,000 sqm). AAI has proposed completion of this project in FY 2024-25. The Authority observes that this work was awarded by AAI for ₹ 11.07 Cr. (excluding GST).
- Phase- III of the Apron is mainly contact bays of the New Terminal Building and the same is proposed to be constructed only after the commissioning of the New Terminal Building and demolition of the existing Terminal Building. The area of apron in this Phase is proposed as 26,848 sqm and AAI has proposed the cost of this phase of the project as Rs 38.23 Cr for capitalisation in FY 2025-26.

The Authority has determined the Normative cost of Apron as presented in the table below:

Table 37: Cost of Apron works proposed by Authority for the Second Control Period

(₹ Crores)

Work	Cost proposed by AAI in MYTP	Cost as per Normative Rate	Cost proposed to be considered by Authority
Apron -Phase-II			
Civil Works			
i. Above Subgrade		9.20*	
ii. Below Subgrade & other works		2.96	
Total Civil works	12.22	12.16	12.16
Electrical works	0.85	0.85	0.85
Total	13.07	13.01	13.01
Apron Phase-III			
Civil Works			
i. Above Subgrade		19.06**	19.06
ii. Below Subgrade & Other works *		12.36	12.36
iii. Construction of GSE area		2.00	2.00
Total Civil works	36.92	33.42	33.42
Electrical works	1.31	1.31	1.31
Total	38.23	34.73	34.73

* Normative cost determined by applying normative rate of ₹ 6,840, as shown in Table 35.

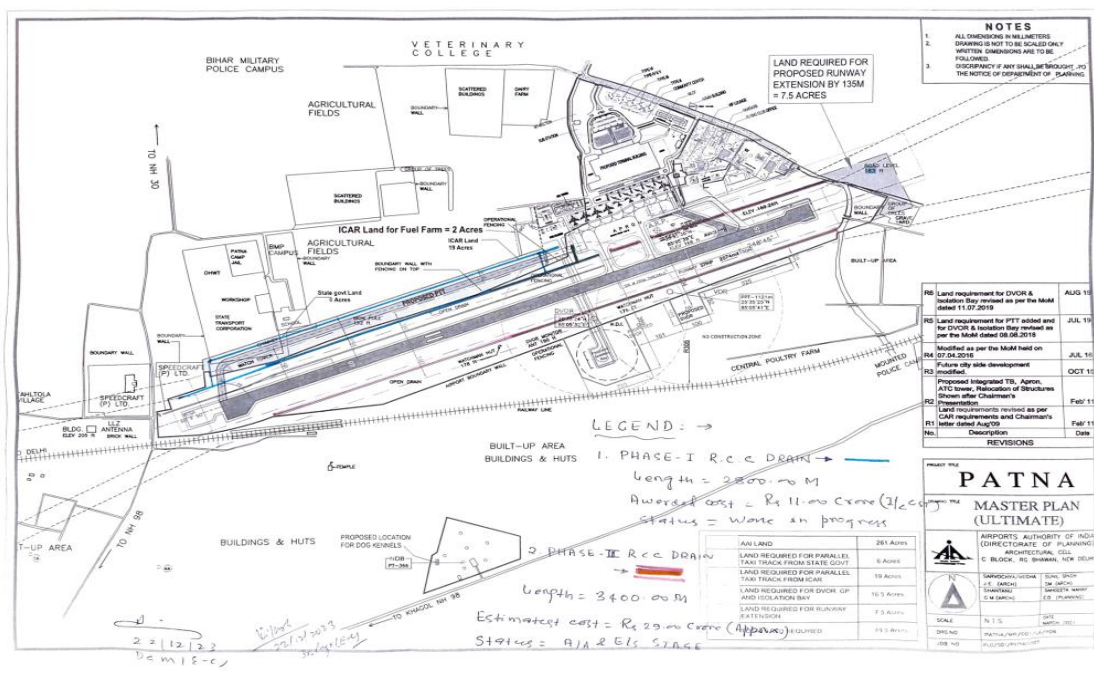
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Based on the above analysis, the Authority proposes to consider ₹ 13.01 Cr towards Phase II of this project for capitalization in FY 2024-25 and ₹ 34.73 Cr. towards Phase III of this project for capitalization in FY 2025-26. The said work is in progress 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.

B2 - Road, Bridges & Culverts

i Construction of RCC Drain (Civil) The Authority notes that AAI has proposed ₹1.80 Crores for constructing an RCC Drain, parallel to PTT, with the length of approximately 1,450m for capitalization in FY 2023-24. The Authority considers the same to be reasonable and proposes capitalisation of this project in FY 2024-25.

Subsequently, AAI had proposed to construct another drain at south side of PTT, in between the Runway and the PTT. The layout map of the Runway is shown below :



This RCC drain falls in the Runway Basic Strip and would be capable of taking the aircraft load. The length of this drain is approx. 1,500 m and AAI has submitted the cost of this project as ₹ 7.60 Cr vide email dated December 22, 2023 (refer para 6.2.5).

AAI has proposed to execute this project as part of PTT and complete the same by FY 2024-25. The Authority examined AAI’s submission and takes cognizance that the work is required to be carried out for proper drainage of operational area and to satisfy the CAR specifications of DGCA. The Authority observes that the cost of this project (₹ 7.60 Cr. proposed by AAI) to be reasonable, as the drain needs to be structurally strong to withstand the main gear load of critical aircraft.

Further, AAI has also proposed to construct RCC covered drain at north and south sides of the Runway. The length of this drain is 3,400 m and the cost submitted by AAI is ₹ 29 Cr. vide email dated December 22, 2023.

The Authority observes that at the north and south sides of the Runway, for full length, it is essential to construct a proper drainage system. As there is no land available, beyond the Runway Basic Strip, the drain has to be constructed in the Basic Strip, which is capable of handling the

main gear load of critical aircraft, as per the specifications of DGCA-CAR. Based on the above factors, the Authority considers the projected costs of ₹ 29 Cr. as justifiable and proposes to consider capitalisation of this project in FY 2025-26.

The Authority proposes to consider the total cost of RCC drains in the operational area as ₹ 38.40 Cr., wherein ₹ 9.40 Cr (₹1.80 Crores and ₹7.60 Crores) has been considered for capitalisation in FY 2024-25 and ₹ 29 Cr in FY 2025-26. However, the same will be reviewed in detail, based on the cost efficiency and reasonableness at the time Tariff determination for the Third Control Period.

B3 - Boundary Wall and Watch Tower

- i Construction of Boundary Wall and Watch Tower: The Authority notes that AAI proposes to replace the existing operational wall and construct Watch Towers for the PTT for security purposes. AAI has proposed completion cost of boundary wall and watch tower is ₹ 3.41 Crores in FY 2023-24. Based on the assessment through the site visit by its Independent Consultant, the Authority proposes to consider capitalization of this asset in FY 2024-25.

B4 - Electrical Installations

- i. **Construction of PTT & Perimeter Road:** The Authority notes AAI has proposed an amount ₹3.18 Crores towards electrical installations of this project. As stated in para 6.2.7 B1 (i), the Authority proposes to consider capitalization of this asset in FY2024-25.
- ii. **Construction of IAPP (Isolated Aircraft Parking Position) :** AAI has proposed cost of electrical works for this project on construction of IAPP at the south side of the Runway along with Link Taxiway for ₹1.16 Crores. The Authority finds it reasonable and proposes to consider capitalization of this project in FY 2024-25.

6.2.8 The Authority notes that PIA has claimed Financing allowance of ₹ 72.13 Crores and IDC amounting to ₹ 15.95 Crores, as part of the CAPEX proposed for the Second Control Period. The Authority has examined the AAI's claim towards Financing Allowance and IDC in detail and the views of the Authority in this regard may be referred to in para 4.4.6. Accordingly, the Financing allowance has not been allowed by the Authority in respect of CAPEX proposed for the Second Control Period. In respect of IDC, the Authority proposes to consider the same as part of the CAPEX proposed for the Second Control Period.

6.2.9 The Authority notes that AAI has not implemented the project on expansion of Terminal Building for PIA, which was approved for ₹ 626.01 Crores vide Order No. 13/ 2019-20 dated October 24, 2019 for the First Control Period (refer para 4.4.5 (A1)). 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 given in 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 truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by AAI.

6.2.10 The Authority notes that AAI has submitted the Terminal Building ratio of 90%: 10% (Aeronautical:

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Non Aeronautical) for apportionment of common assets within the Terminal Building at PIA for the Second Control Period. The Authority observes that the same is in line with the recommendations of IMG norms and as considered in other similar airports. In view of the above, the Authority proposes to consider this Terminal Building ratio of 90:10 (Aeronautical: Non Aeronautical) for the apportionment of common assets/ common expenses of PIA for the Second Control Period.

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

Table 38: 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	Proposed by the Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3)=(2)-(1)
A1 Road, Bridges & Culverts						
i)	Elevated road with ramps	2023-24	2024-25	76.28	68.65	7.63*
ii)	Link Bridge (civil)	2023-24	2024-25	5.40	4.86	0.54*
A2 Building- Terminal						
i)	Construction of Terminal Building (Civil)	2023-24	2024-25	430.48	430.48	-
ii)	Construction of MeT Building	2023-24	2024-25	7.87	7.87	-
A3. Building- Residential						
i)	Construction of Community centre (Civil)	2023-24	2024-25	3.71	3.71	-
A4. Other Building						
i)	Construction of Fire Station (Civil)	2023-24	2023-24	11.81	11.81	-
ii)	Construction of Administration Block (Civil)	2023-24	2024-25	13.16	13.16	-
iii)	Construction of M T Pool (Civil)	2024-25	2024-25	9.15	9.15	-
A5. Electrical Installations						
i)	Construction of Fire Station	2023-24	2023-24	1.45	1.45	-
ii)	Construction of Terminal Building	2023-24	2024-25	255.22	255.22	-
iii)	Construction of Administration. Block	2023-24	2024-25	4.41	4.41	-
iv)	Construction of M T Pool	2024-25	2024-25	3.35	3.35	-
v)	Construction of Met Build	2024-25	2024-25	2.27	2.27	-
vi)	Link Bridge	2023-24	2024-25	0.74	0.67	0.07*
vii)	Construction of Community centre	2023-24	2024-25	0.90	0.90	-
TOTAL (A)				826.21	817.97	8.24
B. New Capital Addition projects proposed by AAI for the Second Control Period						
B1. Taxiways & Apron						
i)	Construction of PTT & Allied work	2023-24	2024-25	37.94	34.18	3.76
ii)	Construction of Apron (Civil)	2024-25	2024-25	13.07	13.01	3.56
		2025-26	2025-26	38.23	34.73	
B2 Road, Bridges & Culverts						

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S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3)=(2)-(1)
i)	Construction of RCC Drain	2023-24	2024-25	9.40	9.40	-
			2025-26	29.00	29.00	
ii)	Construction of IAPP (Civil)	2023-24	2024-25	11.22	11.22	-
B3	Boundary Wall			-		-
i)	Construction of B/Wall & Watch Tower	2023-24	2024-25	3.41	3.41	-
B4	Electrical Installations					-
i)	Construction of PTT & Perimeter Road	2023-24	2024-25	3.18	3.18	-
ii)	Construction of IAPP	2023-24	2024-25	1.16	1.16	-
	Total B			146.60	139.28	7.32
	Total (C= A+B)			972.81	957.25	15.56
	IDC (D)			15.95	15.79	0.16
	Grand Total (E= C+D)			988.76	973.04	15.72
Year-wise Capitalisation of Assets is as follows (₹ Crores)						
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
	13.52	895.80	63.73	-	-	973.04

* The variance in respect of these assets were on account of application of Terminal Building ratio to determine Aeronautical costs, as AAI had submitted these assets as 100% Aeronautical.

Note: The Authority proposes to consider capitalization schedule of Aeronautical expenditure for PIA for the Second Control Period as ₹ 973.04 Crores, against proposed ₹ 1,060.89 Crores (exclusive of Financing Allowance) of AAI due to the following factors:

- i. Exclusion of FA amounting to ₹ 72.13 Crores.
- ii. Re-allocation of some assets, due to application of Terminal Building ratios, resulting in reduction of CAPEX by ₹ 8.40 Crores.
- iii. Rationalisation of PTT and Apron based on Normative costs resulting in reduction of CAPEX by ₹ 7.32 Crores

The Authority proposes to consider capitalization of Aeronautical expenditure for PIA for the Second Control Period as ₹ 973.03 Crores.

6.3 Depreciation for the Second Control Period

AAI's Submission on Depreciation for the Second Control Period for PIA

6.3.1 PIA follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Second Control Period for PIA, 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/ 2017-18 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by the Authority have been applied by PIA from FY

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2020-21 onwards.

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

6.3.3 The depreciation amount proposed by PIA for the Second Control Period has been presented in the table below

Table 39: Depreciation proposed by AAI for PIA for the Second Control Period

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Land	0.00	0.00	0.00	0.00	0.00	0.00
Leasehold Land	0.00	0.00	0.00	0.00	0.00	0.00
Runways	0.04	0.04	0.04	0.04	0.04	0.20
Taxiway	0.67	1.35	1.35	1.35	1.35	6.07
Aprons	0.50	0.81	0.89	0.89	0.89	3.99
Road, Bridges & Culverts	5.17	9.65	9.56	9.56	9.56	43.50
Building- Terminal	8.58	16.59	16.74	16.73	16.71	75.35
Building – Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Building – Residential	0.85	0.92	0.91	0.91	0.91	4.50
Security Fencing - Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall -Operational	0.28	0.42	0.41	0.39	0.37	1.88
Boundary Wall - Residential	0.01	0.01	0.01	0.00	0.00	0.03
Other Buildings-Unclassified	1.51	3.44	3.97	3.97	3.97	16.85
Computer & Peripherals : End User Devices	0.20	0.20	0.10	0.00	0.00	0.50
Intangible Assets- Software	0.03	0.03	0.00	0.00	0.00	0.06
Computer & Peripherals : Servers & Networks	0.00	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	1.71	1.69	1.67	1.67	1.67	8.40
Tools & Equipment	0.31	0.31	0.31	0.31	0.31	1.55
Office Furniture	0.26	0.26	0.26	0.12	0.00	0.91
Other Vehicles	0.38	0.38	0.38	0.38	0.36	1.87
Electrical Installations	15.22	30.08	30.27	30.27	30.27	136.09
Other Office equipment	0.16	0.15	0.00	0.00	0.00	0.31
Furniture & Fixtures: Other Than Trolley	0.05	0.03	0.00	0.00	0.00	0.08
Furniture & Fixtures: Trolley	0.09	0.00	0.00	0.00	0.00	0.09
X Ray Baggage System	0.19	0.19	0.19	0.19	0.19	0.94
CFT/Fire Fighting Equipment	0.35	0.35	0.35	0.35	0.35	1.76
Total	36.55	66.88	67.41	67.14	66.95	304.94

Authority’s examination of Depreciation for the Second Control Period

6.3.4 The Authority notes that the PIA 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.

6.3.5 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 40: Depreciation proposed 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	
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.04	0.04	0.04	0.04	0.04	0.20
Taxiway	-	0.58	1.16	1.16	1.16	4.04
Aprons	0.25	0.47	1.26	1.84	1.84	5.65
Road, Bridges & Culverts	0.35	5.07	11.22	12.67	12.67	41.98
Building- Terminal	0.71	8.14	15.56	15.56	15.54	55.51
Building – Temporary	-	-	-	-	-	-
Building – Residential	0.75	0.82	0.88	0.88	0.88	4.20
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.10	0.23	0.39	0.37	0.35	1.45
Boundary Wall - Residential	0.01	0.01	0.01	0.00	-	0.03
Other Buildings-Unclassified	0.64	2.38	3.52	3.52	3.52	13.60
Computer & Peripherals : End User Devices	0.08	0.05	0.03	0.02	0.02	0.20
Intangible Assets- Software	0.02	0.02	0.00	0.00	0.00	0.05
Computer & Peripherals : Servers & Networks	-	-	-	-	-	-
Plant & Machinery	1.64	1.62	1.60	1.60	1.60	8.05
Tools & Equipment	0.31	0.31	0.31	0.31	0.31	1.55
Office Furniture	0.08	0.03	-	-	-	0.11
Other Vehicles	0.38	0.38	0.38	0.38	0.26	1.77
Electrical Installations	0.63	14.38	28.05	28.05	28.05	99.16
Other Office Equipment	0.12	0.07	-	-	-	0.19
Furniture & Fixtures: Other Than Trolley	0.05	0.03	-	-	-	0.08
Furniture & Fixtures: Trolley	0.07	0.01	0.01	0.01	0.01	0.12
X Ray Baggage System	0.19	0.19	0.19	0.19	0.19	0.94
CFT/Fire Fighting Equipment	0.35	0.35	0.35	0.35	0.35	1.76
Total	6.78	35.16	64.97	66.95	66.79	240.65

Note: The Authority proposes to consider depreciation for PIA for the Second Control Period as ₹ 240.65 Crores. The above depreciation is lesser than that proposed by AAI of ₹ 304.94 Cr, due to non-consideration of Financing Allowance and shifting of Capitalisation in respect of certain capital projects to the subsequent tariff years within the Second Control Period.

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

AAI's Submission on RAB for PIA for the Second Control Period

6.4.1 AAI's Submission on RAB for the Second Control Period for PIA is as follows:

Table 41: RAB submitted by AAI for PIA 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	88.54	998.88	962.72	895.31	828.17	
Additions	946.90	46.76	67.23	-	-	1,060.89
Disposal/Transfers	-	-	-	-	-	
Depreciation	36.55	66.88	67.41	67.14	66.95	304.94
Closing RAB	998.88	962.72	895.31	828.17	761.22	
Average RAB	543.71	980.80	929.02	861.74	794.70	

* The capital additions includes initial submission of AAI of ₹ 977.62 Cr and revised projections of ₹ 83.27 Cr., submitted by AAI vide email dated December 22, 2023.

Authority's examination of RAB for PIA for the Second Control Period

- 6.4.2 The Authority proposes to adopt the capitalization of Aeronautical Expenditure in accordance with Table 38 and the depreciation amounts in accordance with Table 40.
- 6.4.3 Based on the above factors, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period is as follows:

Table 42: 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 (A) (refer Table 11)	87.88	94.62	955.24	954.00	887.06	
Additions (B) (Refer Table 38)	13.52	895.80	63.73	-	-	973.04
Disposal/Transfers (C)	-	-	-	-	-	
Depreciation (D) (refer Table 40)	6.78	35.16	64.97	66.95	66.79	240.65
Closing RAB (E) = [(A) +(B) – (C) – (D)]	94.62	955.24	954.00	887.06	820.27	
Average RAB = [(A) + (E)]/2	91.25	524.93	954.62	920.53	853.66	

The Authority proposes to consider Average RAB for the PIA for the Second Control Period as detailed in Table 42.

6.5 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.

- 6.5.1 To consider allocation of gross block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 6.5.2 To consider the capitalization of Aeronautical Capital Expenditure for the Second Control Period in

accordance with Table 38.

- 6.5.3 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.
- 6.5.4 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.
- 6.5.5 To consider depreciation as per Table 40 for the Second Control Period.
- 6.5.6 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.
- 6.5.7 To consider average RAB for the Second Control Period for PIA as per Table 42.
- 6.5.8 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 Return of Return for the Second Control Period for PIA

7.1.1 AAI submitted that PIA would require debt 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 PIA is 9.20 % for the debt amounting to ₹ 63.33 Crores for FY 2023-24 and 8.10% for the debt amounting to ₹ 0.93 Crores for FY 2024-25.

7.1.3 The outstanding debt* and cost of debt as submitted by AAI which has been availed by PIA for the Second Control Period for PIA is summarized in the table below:

Table 43: 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	115.31	175.88	168.10	151.62	126.50
Debt-addition	63.33	0.93	-	-	-
Closing debt	175.88	168.10	151.62	126.50	102.48
Average Debt	145.59	171.99	159.86	139.06	114.49
Cost of Debt (%)	8.10%	8.10%	8.10%	8.10%	8.10%

* Debt of ₹ 115.31 Cr. had been availed by AAI for PIA for the Period g FY 2020-21 to FY 2022-2. Details of the same have been submitted by AAI in the Financial Model in MS-Excel spreadsheet.

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 PIA for the Second Control Period as submitted by AAI is summarized in the table below:

Table 44: 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	585.65	1,074.47	1,089.83	1,089.83	1,089.83
Cost of Equity (%)	16%	16%	16%	16%	16%

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 45: 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	145.59	171.99	159.86	139.06	114.49
Equity	B	585.65	1,074.47	1,089.83	1,089.83	1,089.83

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	731.25	1246.45	1249.69	1228.89	1204.32
% of Debt	A/(A+B)	19.91%	13.80%	12.79%	11.32%	9.51%
% of Equity	B/(A+B)	80.09%	86.20%	87.21%	88.68%	90.49%
Cost of Debt (%)	D	8.10%	8.10%	8.10%	8.10%	8.10%
Cost of Equity (%)	E	16%	16%	16%	16%	16%
Gearing	F	19.91%	13.80%	12.79%	11.32%	9.51%
Weighted Average of gearing	G	13.46%				
FRoR	H= [(G*D) + (1-G)*E]	14.94%				

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 PIA as submitted by AAI for the Second Control Period. The Authority acknowledges the debt availed by AAI for PIA in the First and Second Control Period and its impact on FRoR.

However, the Authority is of the opinion that the gearing ratio is still suboptimal and does not justify a cost of equity of 16% per annum as submitted by AAI. 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 the debt-equity ratio for PIA ranges between 9.51% to 19.91% in the Second Control Period, 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.

Table 46: Cost of Equity proposed to be considered by the Authority for the Second Control Period

Particulars	(₹ Crores)				
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Cost of Equity (%)	14%	14%	14%	14%	14%

Cost of debt

7.2.2 The Authority reviewed the cost of debt submitted by AAI and proposes to consider the same for determination of FRoR for the Second Control Period.

Table 47: Cost of Debt 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
Cost of debt (%)	8.10%	8.10%	8.10%	8.10%	8.10%

Fair Rate of Return

7.2.3 Based on the analysis given in para 4.5.2 and Table 12, the Authority has considered the Debt Equity ratio as 17%:83%, for the purpose of determining the FRoR and the same is shown as follows:

Table 48: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period

Parameter	Reference	Value
Cost of equity (refer Table 46)	A	14.00%
Cost of debt (refer Table 47)	B	8.10%
Proforma Gearing of Debt	C	17.00%
Proforma Gearing of Equity	D	83.00%
Fair Rate of Return	$E = (C*B)+(1-C)*A$	13.00%

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 Debt at 8.10 % as proposed by AAI.
- 7.3.2 To consider Cost of Equity at 14%.
- 7.3.3 To consider FRoR of 13 % for PIA for the Second Control Period as per Table 48.
- 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 PIA

8.1.1 AAI has not made any submission related to inflation as part of its MYTP submission for PIA 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 85" released on December 8, 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 85th 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 49: Inflation rates proposed by the Authority for the Second Control Period for PIA

Particulars	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
WPI inflation	0.30%	3.80%	3.80%	3.80%	3.80%

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 PIA as detailed in Table 49.

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 PIA

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 PIA for the Second Control Period has been presented in the table below:

Table 50: Operation and Maintenance (O&M) expenditure submitted by AAI for PIA

(₹ Crores)

Particulars	FY 2023- 24	FY 2024- 25	FY 2025- 26	FY 2026- 27	FY 2027- 28	Total
Payroll Costs - Excluding CHQ/RHQ	23.19	29.28	31.33	33.53	44.25	161.59
Payroll Costs - CHQ/RHQ (retirement benefits)	0.63	0.79	0.85	0.91	1.20	4.37
Repair & Maintenance	17.49	18.45	19.62	20.91	15.64	92.11
Utilities & Outsourcing Expenses	4.08	5.25	5.49	5.75	6.02	26.60
Admin. & Other Expenses - Excluding CHQ/RHQ	6.07	12.26	13.49	14.84	16.32	62.98
Admin. & Other Expenses - CHQ/RHQ	36.80	38.64	40.57	42.60	44.73	203.33
Other Outflows	1.19	1.37	1.57	1.79	2.00	7.92
Total O&M Expenditure	89.46	106.05	112.92	120.32	130.16	558.91

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

Table 51: Growth rates in O&M expenditure submitted by PIA

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
Payroll Costs - Excluding CHQ/RHQ	7%	26%	7%	7%	32%
Payroll Costs - CHQ/RHQ	254%	26%	7%	7%	32%
Utilities & Outsourcing Expenses	4.67%	28.62%	4.58%	4.66%	4.74%

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
Admin. & Other Expenses - Excluding CHQ/RHQ	8.35%	101.88%	10.00%	10.00%	10.00%
Admin. & Other Expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%

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 52: Allocation of O&M expenses submitted by AAI for PIA for FY 2022-23

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	96.46%	3.54%
Payroll Costs –CHQ/RHQ	96.46%	3.54%
Repair & Maintenance – Civil	93.16%	6.84%
Repair & Maintenance – Electrical works	93.16%	6.84%
Repair & Maintenance – Electronics	100%	0%
Utilities	100%	0%
Upkeep Expenses	93.16%	6.84%
Admin. & Other Expenses - Excluding CHQ/RHQ	93.16%	6.84%
Admin. & Other Expenses - CHQ/RHQ	95%	5%
Other Outflows	100%	0%

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 PIA was for ₹ 305.85 Crores (refer Table 17), against which actual expenses of ₹ 405.91 Crores (refer Table 16) was submitted by AAI for PIA for true up of the First Control Period. The Authority examined the above actual O&M expenses and has proposed ₹ 304.22 Crores (refer Table 20) to be trued up for the First Control Period. However, AAI has submitted its O&M expenses for PIA for the Second Control Period for ₹ 558.91 Crores, which is 84% higher than the O&M expenses proposed by the Authority for true up of the First Control Period (which is for ₹ 304.22 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 PIA. 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 96.46%: 3.54% for FY 2022-23, which was derived based on the headcount of Aeronautical and Non-Aeronautical employees 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 and Electrical) have been apportioned in the ratio of Terminal Building by AAI which is 93.16%: 6.84%. However, the Authority proposes to re-allocate the above expenses in the Terminal Building ratio of 90%:10%, as detailed in para 6.2.10.
- 9.2.6 Repair and Maintenance expenses – Electronics includes Surveillance equipment, security equipment considered as 100% Aeronautical as per AAI. The Authority’s analysis shows that these expenses pertain to passenger facilitation and therefore, considered as Aeronautical. Further, the Authority notes that it also includes hardware maintenance expenses of computers and other electronic items, which has been apportioned based on the IT Department employees engaged for Aeronautical purposes and hence considered reasonable.
- 9.2.7 Administration expenses of CHQ/ RHQ have been allocated based on methodology defined in para 4.7.3 (a) and (b).
- 9.2.8 Based on the above factors, the Authority has determined the following basis for allocation of expenses, which is as follows:

Table 53: Allocation of O&M expenses proposed to be considered by Authority for PIA for FY 2022-23

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	96.46%	3.54%
Payroll Costs –CHQ/RHQ	96.46%	3.54%
Repair & Maintenance – Civil	90%	10%
Repair & Maintenance – Electrical Works	90%	10%
Repair & Maintenance – Electronics	100%	0%
Utilities	100%	0%
Upkeep Expenses	90%	10%
Admin. & Other Expenses – Excluding CHQ/RHQ	96.46%	3.54%
Other Outflows	100%	0%

Payroll expenses (Other than CHQ/RHQ)

- 9.2.9 AAI considered a growth rate of 7% in payroll expenses for the period 2023-24 to 2027-28. Further, an additional 19% increase has been proposed by AAI due to additional Staff Cost in FY 2024-25 as the New Terminal Building will be operationalized w.e.f. March 2024. Furthermore, 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 from FY 2023-24 to FY 2026-27 in the payroll expenses (other than CHQ and RHQ). For FY 2024-25, the Authority takes cognizance of the fact that the construction of the new terminal building may be completed by October, 2024. On this basis,

an additional 10% increase of payroll has been considered for 6 months in FY 2024-25 and a 25% increase 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 rationalizing the costs of the Airport.

CHQ/ RHQ Administration and General expenses

9.2.10 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Patna Airport for the Second Control Period. Based on the methodology and justification explained under para 4.7.3 (a) and (b) of this Consultation Paper, the Authority has rationalized the CHQ and RHQ- Administration and General Expenses, projected by AAI for PIA for the Second Control Period. The same is presented in Table 55.

Repairs and Maintenance expenses

9.2.11 The Authority notes that AAI has proposed an increase of 10% year- on- year on repair and maintenance expenditure for the Second Control Period. The Authority observes that PIA has incurred cost of Runway Recarpeting (as mentioned in para 4.7.34 (iii)) in FY 2022-23, which has been written off yearly (i.e., ₹ 6.70 Crores per annum from FY 2023-24 to FY 2026-27) in the Second Control Period.

9.2.12 The Authority notes that AAI has claimed the total Repairs & Maintenance expenses of ₹ 92.11 Crores (including amortization of runway recarpeting expenses of ₹ 26.79 Crores) for the Second Control Period. AAI has incurred ₹ 26.79 Crores which is being allowed to be amortized over a period of 4 years commencing from FY 2023-24 (i.e., ₹ 6.70 Crores in each FY). However, even after excluding such expense, the Repairs & Maintenance expenses are much higher. On further examination of the projected Repairs & Maintenance expenses, the Authority notes that the same are higher than 6% of Opening RAB (determined in line with the approach of the Authority in other similar airports) for some tariff years and therefore the same has been rationalised as shown in the table below:

Table 54 Repairs and Maintenance on Opening Net block of Assets claimed by AAI and Proposed by the Authority for the Second Control Period

(in Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	TOTAL
Expenses Claimed by AAI (Other than Runway Resurfacing) (A)	10.79	11.75	12.92	14.22	15.64	65.32
Runway Resurfacing (B)	6.70	6.70	6.70	6.70	0.00	26.79
Total (C= A+B)	17.49	18.45	19.62	20.92	15.64	92.11
Opening RAB (D)	87.88	94.62	955.24	954.00	887.06	
6% of Opening RAB (E= D*6%)	5.27	5.68	57.31	57.24	53.22	
Allowable expenses (F= 6% of Opening RAB or A, whichever is lesser)	5.27	5.68	12.92	14.22	15.64	53.73
Total R&M Expenses allowed by the Authority (G= F + B)	11.97	12.37	19.62	20.91	15.64	80.52
Difference (H= A-G)	5.52	6.07	-	-	-	11.59

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

9.2.13 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.

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 an increase of 3% per year after, netting off the recoveries made from the Concessionaires (which is assumed to be 3% of the total power costs). AAI has also claimed additional 30% increase in power expenses for FY 2024-25 due to operationalisation of new Terminal Building. The Authority notes that the power recovery percentage is reasonably higher than that of comparable airports (recovery from Concessionaires was 17% in FY 2022-23). However, 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- Asia, ASQ Rating Survey Fees and other associated services). 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/ Letter of Award, with respect to revision of the contracted rates.

9.2.16 AAI has proposed a one-time increase in upkeep expenses in FY 2024-25 due to operationalisation of New Terminal Building which will increase the area of terminal building from 9,795 sq.m to 45,600 Sq. m. The Authority feels that the increase in the expenses may not be directly proportional to the increase in the Terminal Building area, due to the technological innovation, advancements and economies to scale. Hence, the Authority proposes to consider 2/3rd (i.e., 66.67%) of the escalation rates claimed by the AAI (412 %) for expenses for Upkeep expenses in FY 2024-25 (as terminal building project is expected to be substantially completed by October 2024). Based on the above factors, the Authority proposes to consider 2/3rd for Upkeep expenses in FY 2024-25 and only the inflationary effect (refer Table 49) on Upkeep expenses year-on-year across the Second Control Period, as followed in other similar airports.

Other Outflows- Collection charges on UDF

9.2.17 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.

9.2.18 Based on the above observations, the Authority has determined the O&M expenses, which it

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

proposes to consider in the Second Control Period. The same has been presented as follows:

Table 55: Operation and Maintenance (O&M) expenses 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	
Payroll Costs - Excluding CHQ/RHQ	22.98	25.50	27.03	28.66	35.82	139.99
Payroll Costs - CHQ/RHQ	0.63	0.70	0.74	0.78	0.98	3.82
Repair & Maintenance	11.97	12.37	19.62	20.91	15.64	80.52
Utilities & Outsourcing Expenses	4.08	5.25	5.49	5.75	6.02	26.60
Upkeep Expenses	1.21	3.89	4.04	4.19	4.35	17.69
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	4.71	5.26	5.78	6.36	7.00	29.10
Admin. & Other Expenses - CHQ/RHQ	31.68	33.27	34.93	36.68	38.51	175.07
Other Outflows	1.19	1.37	1.57	1.79	2.00	7.92
Total O&M Expenditure	78.45	87.62	99.21	105.12	110.32	480.71

Note: The variance between O&M expenses proposed by the Authority for the Second Control Period (₹ 480.71 Cr.) and that claimed by AAI (₹ 558.91 Cr.) is on account of the following:

- i. Rationalization of payroll expenses amounting to ₹ 21.60 Cr.
- ii. Rationalisation of allocation of CHQ/ RHQ expenses amounting to ₹ 28.26 Cr.
- iii. Rationalisation of Repair and Maintenance expenses amounting to ₹ 11.59 Cr
- iv. Rationalisation of upkeep expenses amounting to ₹ 16.19 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

9.2.19 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 56: Growth rates in O&M expenses considered by the Authority for the Second Control Period

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
Payroll Costs - Excluding CHQ/RHQ	6.00%	10.00%	6.00%	6%	25%
Payroll Costs - CHQ/RHQ	-	10.00%	6.00%	6%	25%
Utilities & Outsourcing Expenses	5.00%	30.00%	4.58%	4.66%	4.74%
Upkeep Expenses	0.30%	223.09%*	3.80%	3.80%	3.80%
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	6.20%	11.69%	10.00%	10.00%	10.00%
Admin. & Other Expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Other Outflows	22.00%	15.00%	14%	14%	12%

* This increase is on account of increase in the Terminal Building area due to operationalization of the new Terminal Building.

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 PIA as per Table 55

9.3.2 To consider the O&M expenses incurred by AAI for PIA 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 PIA**

10.1.1 AAI has forecasted revenue from services other than Aeronautical services for PIA as below:

Table 57: Non-aeronautical revenue projections submitted by AAI for PIA

(₹ 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	3.44	4.48	4.92	5.42	5.96	24.22
T.R. stall	1.42	1.85	2.03	2.24	2.46	10.01
Hoarding & display	1.81	2.35	2.58	2.84	3.13	12.71
Car parking	1.42	1.70	1.87	2.06	2.26	9.31
Admission tickets	0.05	0.06	0.07	0.08	0.08	0.34
Car rentals	0.00	0.08	0.09	0.10	0.11	0.38
2. Other Revenue						
Land leases	1.38	1.38	1.58	1.58	1.58	7.51
Building (residential)	0.01	0.01	0.01	0.01	0.01	0.05
Building (non-residential)	1.42	1.84	2.03	2.23	2.45	9.96
Dept. Adm. Charges	1.53	0.00	0.00	0.00	0.00	1.53
Other Misc. Income	0.26	0.27	0.28	0.30	0.31	1.42
Total	12.73	14.02	15.48	16.85	18.36	77.44

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

Table 58: Growth rates assumed by AAI for PIA 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%	30.00%	10.00%	10.00%	10.00%
T.R. stall	10.00%	30.00%	10.00%	10.00%	10.00%
Hoarding & display	10.00%	30.00%	10.00%	10.00%	10.00%
Car parking	10.00%	20.00%	10.00%	10.00%	10.00%
Admission tickets	10.00%	30.00%	10.00%	10.00%	10.00%
Car rentals	-	-	10.00%	10.00%	10.00%
2. Other Revenue					
Land leases	0.00%	0.00%	15.00%	0.00%	0.00%
Building (residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Building (non-residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Other Misc. Income	5.00%	5.00%	5.00%	5.00%	5.00%

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

10.2.1 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.

- 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 The Authority has taken cognizance of the fact that the passenger traffic at PIA nosedived due to COVID-19 pandemic, whereby the traffic of pre-pandemic period (FY 2019-20) could not be achieved in FY 2022-23. However, 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 increase the revenue of passenger related services in accordance with the growth rate in domestic passenger traffic for the tariff years (FY 2023-24, FY 2025-26 to FY 2027-28) as shown in Table 28. The Authority proposes to consider a growth rate of 30% for Passenger related revenue (Trading Concessions and other miscellaneous income) for FY 2024-25 as projected by AAI, taking into consideration the operationalization of the new Terminal Building.

Other revenue – Rent and Services

- 10.2.4 The Authority has examined the Revenue from other services proposed by AAI as follows:-

- i Revenue from Building (residential): The Authority notes that AAI has assumed 5% Y-O-Y increase in revenue from Building (residential) and proposes to consider the same.
- ii Land Lease: AAI has proposed nil growth for FY 2023-24 and FY 2024-25 as the land rental rates are revised after the period of 3 years. The last revision was done in FY 2022-23 as per the land management Circular No. 22 dated June 4, 2022. Further, the Authority proposes to consider the land lease rate growth of 15% in FY 2025-26 as projected by AAI.
- iii Building (Non Residential) : AAI has projected increase of 10% increase has been shown for first tariff year (FY 2023-24). Subsequently, a 30% increase is projected for FY 2024-25 followed by a 10% increase from FY 2025-26 to FY 2027-28. The Authority observes that AAI has projected a higher growth i.e., 30% for FY 2024-25 for Building (Non- Residential) due to operationalisation of the New Terminal Building.

In view of the above, the Authority proposes to consider the AAI's projection for determining NAR for Other revenue for the Second Control Period.

- 10.2.5 Based on the Authority's examination, the NAR determined for PIA for the Second Control Period have been presented in the table below:

Table 59: Non-aeronautical revenues proposed by the Authority for PIA 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	3.82	4.96	5.66	6.45	7.23	28.12
T.R. stall	1.58	2.05	2.34	2.67	2.99	11.62
Hoarding & display	2.00	2.61	2.97	3.39	3.79	14.76
Car Rentals	0.00	0.08	0.09	0.11	0.12	0.41
Car parking	1.57	2.04	2.33	2.66	2.97	11.57

NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Admission tickets	0.05	0.07	0.08	0.09	0.10	0.39
Other Misc. Income	0.30	0.39	0.44	0.50	0.56	2.20
2. Other Revenue						
Land Leases	1.38	1.38	1.58	1.58	1.58	7.51
Building (residential)	0.01	0.01	0.01	0.01	0.01	0.05
Building (non-residential)	1.42	1.84	2.03	2.23	2.45	9.96
Dept Admin. Charges	1.53	0.00	0.00	0.00	0.00	1.53
Total (1+2)	13.66	15.43	17.53	19.68	21.81	88.13

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

Table 60: 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	22%	30%	14%	14%	12%
T.R. stall	22%	30%	14%	14%	12%
Hoarding & display	22%	30%	14%	14%	12%
Car Rentals	-	*20%	14%	14%	12%
Car parking	22%	30%	14%	14%	12%
Admission tickets	22%	30%	14%	14%	12%
Other Misc. Income	22%	30%	14%	14%	12%
2. Other Revenue					
Land Leases	0%	0%	15%	0%	0%
Building (residential)	5%	5%	5%	5%	5%
Building (non-residential)	10%	30%	10%	10%	10%
Total					

** Car Rentals is Nil for FY 2021-22, FY2022-23 and FY 2023-24 as the construction work for New Domestic Terminal (NDT) was under progress.*

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 PIA in accordance with Table 59.

10.3.2 To consider actual Non-aeronautical revenue achieved by AAI for PIA 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 PIA

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

Table 61: Tax Expense submitted by AAI for PIA 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	87.44	424.81	502.06	592.38	690.26	2296.96
O&M expenses	89.46	106.05	112.92	120.32	130.16	558.90
Interest on working capital	-	-	-	-	-	-
Depreciation	9.28	102.63	95.30	85.65	77.00	369.86
Profit Before Tax	(11.30)	216.13	293.85	386.41	483.11	1368.19
Set-off of prior period tax losses	0.00	(161.42)	0.00	0.00	0.00	(161.42)
PBT after set-off of prior period losses	(11.30)	54.71	293.85	386.41	483.11	1206.77
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0.00	13.77	73.96	97.26	121.60	306.59

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

11.2.1 The Authority notes that PIA 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. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

Table 62: 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 69)	87.44	244.99	309.05	406.51	517.13	1,565.13
O&M expenses (refer Table 55)	78.45	87.62	99.21	105.12	110.32	480.71
Depreciation	9.10	9.34	97.65	94.14	84.64	294.87
Profit Before Tax	(0.10)	148.03	112.20	207.25	322.17	789.55
Set-off of prior period tax losses*	-	(48.46)	-	-	-	(48.46)
PBT after set-off of prior period tax losses	(0.10)	99.57	112.20	207.25	322.17	741.09
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	25.06	28.24	52.16	81.09	186.56

*Prior period losses pertain to those incurred during FY 2018-19 to FY 2023-24.

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 PIA as per Table 62.
- 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 PIA

12.1.1 PIA 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 noted from AAI’s website that the ACI ASQ survey results for PIA for the years 2018 to 2023(Q2) have been in the range of 3.72 to 4.73 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.81

Table 63: ASQ rating for PIA for the years 2018-2023

Calendar Year (CY)	ASQ rating
2018	4.41
2019	4.26
2020	3.72
2021	4.52
2022	4.64
2023 (Q1)	4.67
2023 (Q2)	4.73

12.2.3 The Authority notes that the ASQ rating awarded to PIA 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 Patna International Airport for CY 2019 was 4.26, attributable to congestion resulting from ongoing construction activities for the Terminal Building at the airport. 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 PIA, as the Airport has already achieved 4.5 rating.

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 PIA

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 64: ARR submitted by AAI for PIA 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	543.71	980.80	929.02	861.74	794.70	4,109.96
Fair Rate of Return	14.00%	14.00%	14.00%	14.00%	14.00%	-
Return on average RAB	76.12	137.31	130.06	120.64	111.26	575.39
O&M expenses	89.46	106.05	112.92	120.32	130.16	558.90
Depreciation	36.55	66.88	67.41	67.14	66.95	304.94
Tax expense	-	13.77	73.96	97.26	121.60	306.59
Less: 30% NAR	3.82	4.21	4.64	5.06	5.51	23.23
ARR per year (₹ Crores)	560.72	319.81	379.71	400.30	424.46	2,084.99
Discount factor (@ 14%)	1.00	0.88	0.77	0.67	0.59	3.91
PV of ARR	560.72	280.53	292.17	270.19	251.31	1,654.93
Sum Present value of ARR (₹ Crores)	1,654.93					1,654.93
Add: True up shortfall of First Control Period claimed by AAI						361.90
Total Traffic (million passengers)						30.32
Yield per passenger (YPP) (₹)	665.21					665.21

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. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the table above, the Authority proposes as follows:

- To consider the average RAB in accordance with Table 42
- To consider the FRoR in accordance with Table 48.
- To consider the Depreciation as per Table 40.
- To consider the O&M expenses as per Table 55.
- To consider the Tax expense as per Table 62.
- To consider the Non-aeronautical revenue as per Table 59.
- To consider True up of First Control Period as per Table 24

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

- 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 65: ARR proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	Table Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Average RAB = A	42	91.25	524.93	954.62	920.53	853.66	
Fair Rate of Return = B	48	13.00%	13.00%	13.00%	13.00%	13.00%	
Return on average RAB C= A*B		11.86	68.22	124.07	119.64	110.95	434.75
Depreciation – D	40	6.78	35.16	64.97	66.95	66.79	240.65
O&M expenses – E	55	78.45	87.62	99.21	105.12	110.32	480.71
Tax expense – F	62	-	25.06	28.24	52.16	81.09	186.56
ARR per year = SUM (C:F)		97.09	216.07	316.49	343.87	369.14	1,342.66
Shortfall carried forward from First Control Period	24	164.75					
Gross ARR – G		261.83	216.07	316.49	343.87	369.14	1,507.40
NAR	59	13.66	15.43	17.53	19.68	21.81	88.13
Less: 30% NAR – H		4.10	4.63	5.26	5.91	6.54	26.44
Net ARR = (G-H)		257.73	211.44	311.23	337.97	362.60	1,480.97
Discount factor (@ 13%)		1.00	0.88	0.78	0.69	0.61	
PV of ARR (₹ Crores)		257.73	187.12	243.75	234.25	222.41	1,145.26
Sum Present value of ARR (₹ Crores) as on March 31, 2024				1,145.26			1,145.26
Total Traffic (million passengers)	28			30.32			30.32
Yield per passenger on Total Traffic (YPP) (₹)				377.74			377.74
Departing passenger				15.16			15.16
Yield per Departing Passenger (₹)				755.48			755.48

13.2.3 AERA has determined ARR of ₹ 1,145.26 Crores (incl. shortfall of FCP), as against the ARR of ₹ 1,654.93 proposed by AAI

The major variation of ₹ 509.25 Crores between the ARR proposed by the Authority and that claimed by AAI are attributable to following factors:

- Rationalisation of CAPEX (refer Table 38), resulting in reduction of depreciation and Return on RAB.
- Determination of FRoR by the Authority as 13% as against 14% claimed by AAI.
- Rationalisation of O&M expenses like Payroll expenses, CHQ/ RHQ expenses, Administration expenses, R&M Expenses etc. amounting to ₹ 78.20 Crores
- Reduction in taxation, due to rationalization of other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority (based on the proposed Tariff Rate card of the Authority).

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 PIA in accordance with Table 65.

14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

14.1 AAI's Submission on Aeronautical Revenue for the Second Control Period for PIA

14.1.1 AAI has proposed to increase the Aeronautical tariffs with effect from April 1, 2024 as per the schedule below:

- **Landing charges** – For domestic and international ATM, AAI has proposed a one-time increase of 60% from the existing charges w.e.f. April 1,2024 and thereafter by 6% 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. April 1, 2024 and thereafter by 6% year on year.
- **User Development Fee (UDF)** – AAI has proposed the following growth rates in UDF from the existing rates of ₹ 204 (Domestic) for the Second Control Period.

Table 66: 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	0.00%	561.76%	4%	4%	4%
International UDF	0.00%	0.00%	0.00%	0.00%	0.00%

Table 67: Aeronautical revenue submitted by AAI for PIA for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Parking charges	0.02	0.04	0.04	0.05	0.06	0.21
Landing	33.31	59.69	70.86	84.13	98.99	346.97
UDF charges	45.75	355.01	419.69	495.54	577.38	1,893.37
Land Lease	2.20	2.20	2.53	2.53	2.53	11.98
Ground Handling charges	1.15	1.29	1.44	1.62	1.79	7.29
CUTE charges	4.75	6.31	7.19	8.20	9.19	35.65
Revenue Share from AAICLAS	0.27	0.28	0.30	0.31	0.33	1.49
Total Revenue	87.44	424.81	502.06	592.38	690.26	2,296.96

14.1.2 For revenues based on agreements i.e., Land lease from oil companies and Ground handling companies, AAI has proposed to consider the same revenue of FY 2025-26 for FY 2026-27 and FY 2027-28.

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

14.2.1 The Authority notes that domestic traffic of PIA had not surpassed the pre-COVID levels of FY 2019-20. However, there has been a gradual increase in passenger traffic (domestic) in the current Financial Year.

14.2.2 To maintain a balanced approach, the Authority proposes to increase the Landing and Parking charges in a progressive manner from FY 2024-25 (w.e.f April 1, 2024) on the following basis:

- One time increase of 64% in Domestic Landing charges and 6% increase Y-o-Y for the remaining tariff years in the Second Control Period.
- One time increase of 64% in Domestic Parking charges and 6% increase Y-o-Y for the remaining tariff years in the Second Control Period.

14.2.3 AAI has proposed a higher increase in UDF, which has been rationalised by AERA. The Authority proposes to allow the following tariff towards UDF for the Second Control Period for PIA.

Table 68: UDF charges proposed by the Authority for PIA 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 ₹)	204	660	750	900	1,050
International (in ₹)	-	-	-	-	-

**Whenever PIA resumes International Operations, the Domestic UDF would be applicable on international operations.*

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

Table 69: Aeronautical revenues 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	
Total PV of ARR including true up (₹ in Crores) (a) (as per Table 65)	1,145.26					1,145.26	
Aeronautical Revenue							
Parking and Housing Charges (₹ in Crores)	0.02	0.03	0.03	0.04	0.05	0.17	
UDF Domestic (₹ in Crores)	45.75	173.56	224.84	307.58	401.90	1,153.62	
Landing Charges (₹ in Crores)	33.31	61.32	72.72	86.24	101.35	354.94	
CUTE charges (₹ in Crores)	4.75	6.31	7.19	8.20	9.19	35.65	
Ground handling charges (₹ in Crores)	1.15	1.29	1.44	1.62	1.79	7.29	
Royalty from AAICLAS (₹ in Crores)	0.27	0.28	0.30	0.31	0.33	1.49	
Land Lease – Oil Companies / Ground Handling Companies (₹ in Crores)	2.20	2.20	2.53	2.53	2.53	11.98	
Total Revenue (b)	87.44	244.99	309.05	406.51	517.13	1,565.13	
PV factor	1.00	0.88	0.78	0.69	0.61		
PV of Aero Revenue (c)	87.44	216.81	242.05	281.75	317.20	1,145.26	
∑ PV Projected Aero Revenue (d)	1,145.26					1,145.26	
Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2024)						-	-

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 ₹ 1,145.26 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 1,145.26 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 PIA as per Table 69.
- 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 13 for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 14 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 20 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 23 for true up of the First Control Period for PIA.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 24 for true up of the First Control Period for PIA and readjust the shortfall in the Second Control Period.

Chapter 5: Traffic for the Second Control Period

- 5.2.1 To consider the ATM and passenger traffic for the Second Control Period for PIA as per Table 28.
- 5.2.2 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

- 6.5.1 To consider allocation of gross block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 6.5.2 To consider the capitalization of Aeronautical Capital Expenditure for the Second Control Period in accordance with Table 38.
- 6.5.3 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.
- 6.5.4 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.
- 6.5.5 To consider depreciation as per Table 40 for the Second Control Period.
- 6.5.6 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.
- 6.5.7 To consider average RAB for the Second Control Period for PIA as per Table 42.
- 6.5.8 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 Debt at 8.10 % as proposed by AAI.
- 7.3.2 To consider Cost of Equity at 14%.
- 7.3.3 To consider FRoR of 13 % for PIA for the Second Control Period as per Table 48.
- 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 PIA as detailed in

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 PIA as per Table 55
- 9.3.2 To consider the O&M expenses incurred by AAI for PIA 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 PIA in accordance with Table 59.
- 10.3.2 To consider actual Non-aeronautical revenue achieved by AAI for PIA 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 PIA as per Table 62.
- 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 PIA in accordance with Table 65.

Chapter 14: Aeronautical revenue for the Second Control Period

- 14.3.1 To consider Aeronautical revenue for the Second Control Period for PIA as per Table 69.
- 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

- 16.2.1 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.
- 16.2.2 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.
- 16.2.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in this Consultation Paper, latest by 02.02.2024

**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 PIA 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 card proposed by AAI for the Second Control Period has been reproduced here. For purposes of comparison, the existing Aeronautical charges have been provided along with the charges proposed by AAI.

i. Landing charges (Domestic)

Table 70: Existing Landing charges (domestic)

Weight of the Aircraft	Existing Landing charges (₹)
Up to 25 MT	185 per MT
Above 25 MT to 50 MT	4,625+324 Per MT in excess of 25 MT
Above 50 MT to 100 MT	12,725+371 Per MT in excess of 50 MT
Above 100 MT to 200 MT	31,275+452 Per MT in excess of 100 MT
Above 200 MT	76,475+510 Per MT in excess of 200 MT

Table 71: 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	185 per MT	296 per MT	314 per MT	333 per MT	353 per MT
Above 25 MT up to 50 MT	4,625+324 Per MT in excess of 25 MT	7,400+518 Per MT in excess of 25 MT	7,850+549 per MT in excess of 25 MT	8,325+582 per MT in excess of 25 MT	8,825+617 per MT in excess of 25 MT
Above 50 MT up to 100 MT	12,725+371 per MT in excess of	20,350+594 per MT in excess of 50	21,575+630 per MT in excess of	22,875+668 per MT in excess of	24,250+708 per MT in excess of
Above 100 MT to 200 MT	31,275+452 per MT in excess of 100 MT	50,050+723 per MT in excess of 100 MT	53,075+766 per MT in excess of 100 MT	56,275+812 per MT in excess of 100 MT	59,650+861 per MT in excess of 100 MT
Above 200 MT	76,475+510 per MT in excess of 200 MT	1,22,350+816 per MT in excess of 200 MT	12,9675+865 per MT in excess of 200 MT	1,37,475+917 per MT in excess of 200 MT	1,45,750+972 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.

2. 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.
3. Domestic leg of international routes of foreign carriers shall be treated as international flights.
4. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
5. “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”.
6. Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.
7. Tariff for International Operations, if any, during the 2nd Control Period, will be same as applicable to Domestic Operations.

ii. Parking Charges

Table 72: Existing Parking charges

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to four hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Up to 25 MT	3.37 per hour per MT	6.75 per hour per MT
Above 25 MT up to 50 MT	84.36 + 4.5 per hour per MT in excess of 25 MT	168.73 + 9 per hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	196.85+ 9 per hour per MT in excess of 50 MT	393.7+ 18 per hour per MT in excess of 50 MT
Above 100 MT to 200 MT	646.8+ 11.25 per hour per MT in excess of 100 MT	1293.59+ 22.50 per hour per MT in excess of 100 MT
Above 200 MT	1771.66+ 12.38 per hour per MT in excess of 200 MT	3543.32+ 24.75 per hour per MT in excess of 200 MT

Table 73: Parking charges proposed by AAI for the Second Control Period (up to four 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	3.37 per hour per MT	7.08 per hour per MT	7.50 per hour per MT	7.95 per hour per MT	8.43 per hour per MT
Above 25 MT up to 50 MT	84.36 + 4.5 per hour per MT in excess of 25 MT	176.93+ 9.45 per hour per MT in excess of 25 MT	187.54+ 10.02 per hour per MT in excess of 25 MT	198.79+ 10.62 per hour per MT in excess of 25 MT	210.72+ 11.26 per hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	196.85+ 9 per hour per MT in excess of 50 MT	413.18+ 18.90 per hour per MT in excess of 50 MT	437.97+ 20.03 per hour per MT in excess of 50 MT	464.24+ 21.24 per hour per MT in excess of 50 MT	492.10+ 22.51 per hour per MT in excess of 50 MT

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)
Above 100 MT to 200 MT	646.8+ 11.25 per hour per MT in excess of 100 MT	1,358.18+ 23.63 per hour per MT in excess of 100 MT	1,439.67+ 25.04 per hour per MT in excess of 100 MT	1,526.05+ 26.55 per hour per MT in excess of 100 MT	1,617.61+ 28.14 per hour per MT in excess of 100 MT
Above 200 MT	1,771.66+ 12.38 per hour per MT in excess of 200	3,720.68+ 26.00 per hour per MT in excess of 200	3,943.92+ 27.56 per hour per MT in	4,180.55+ 29.21 per hour per MT in excess of 200	4,431.38+ 30.96 per hour per MT in excess of 200

Table 74: 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	6.75 per hour per MT	14.15 per hour per MT	15 per hour per MT	15.90 per hour per MT	16.86 per hour per MT
Above 25 MT up to 50 MT	168.73 + 9 per hour per MT in excess of 25 MT	353.85+ 18.90 per hour per MT in excess of 25 MT	375.08+ 20.03 per hour per MT in excess of 25 MT	397.59+ 21.24 per hour per MT in excess of 25 MT	421.44+ 22.51 per hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	393.7+ 18 per hour per MT in excess of 50 MT	826.35+ 37.80 per hour per MT in excess of 50 MT	875.93+ 40.07 per hour per MT in excess of 50 MT	928.49+ 42.47 per hour per MT in excess of 50 MT	984.20+ 45.02 per hour per MT in excess of 50 MT
Above 100 MT to 200 MT	1,293.59+ 22.50 per hour per MT in excess of 100 MT	2,716.35+ 47.25 per hour per MT in excess of 100 MT	2,879.33+ 50.09 per hour per MT in excess of 100	3,052.09+ 53.09 per hour per MT in excess of 100 MT	3,235.22+ 56.28 per hour per MT in excess of 100 MT
Above 200 MT	3,543.32+ 24.75 per hour per MT in excess of 200 MT	7,441.35+ 52.00 per hour per MT in excess of 200 MT	7,887.83+ 55.12 per hour per MT in excess of 200 MT	8,361.10+ 58.42 per hour per MT in excess of 200 MT	8,862.77+ 61.93 per hour per MT in excess of 200 MT

Notes-

- 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 PIA if the State Government has brought the rate of tax (VAT) on ATF $\leq 5\%$. 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.
- 7 Flights operating under Regional Connectivity Scheme shall be completely governed by AIC issued on this subject by DGCA.
- 8 For unauthorized overstay of Aircraft on Ground, an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rates as approved by the Authority.

iii. User Development Fees (UDF)

Table 75: UDF Proposed by AAI (per embarking passenger)

Rate in (₹)

Passenger	Existing UDF	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	204	1,350	1,400	1,450	1,508

Notes:

- a) Collection charges: if the payment is made in accordance within period prescribed under credit policy of AAI, then collection charges at Rs 5 per departing pax is payable by AAI to Airline operators. No collection charges shall be payable if the operator fails to pay the UDF to AAI within the prescribed credit period or in case of part payment.
- b) No collection charges are payable to casual operator/non-scheduled operators.
- c) For conversion of US\$ into INR the rate as on the 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted
- d) Revised UDF charges will be applicable on tickets issued on or after 01/04/2024 for FY 2024-25 and thereafter applicable on date of travel from 1st April 2025 to 31st March 2028.

iv. Aviation Security Fee:

- a) 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.

- a) Children (under-age of 2 years),
- b) Holders of Diplomatic Passport,
- c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
- g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

vi. General Condition:

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under regional connectivity scheme will be completely exempted from charges as per Order No.20/2018-19 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 Consultation process

17.2.1 As detailed in Table 69 (Chapter 14), PIA is entitled to recover an ARR of ₹1,145.26 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹1,145.26 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 PIA. After its examination as detailed in para 14.2, the Authority proposes the following Aeronautical tariffs for PIA for the Second Control Period for consultation process:

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

*Table 76: Landing charges(domestic) proposed by the Authority for PIA 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	185 per MT	304 per MT	322 per MT	341 per MT	361 per MT
Above 25 MT up to 50 MT	4,625+324 per MT in excess of 25 MT	7,600 + 533 per MT in excess of 25 MT	8,050 + 565 per MT in excess of 25 MT	8,525 + 599 per MT in excess of 25 MT	9,025 + 635 per MT in excess of 25 MT
Above 50 MT up to 100 MT	12,725+371 per MT in excess of 50 MT	20,925 + 610 per MT in excess of 50 MT	22,175 + 647 per MT in excess of 50 MT	23,500 + 686 per MT in excess of 50 MT	24,900 + 727 per MT in excess of 50 MT
Above 100 MT to 200 MT	31,275+452 per MT in excess of 100 MT	51,425 + 743 per MT in excess of 100 MT	54,525 + 788 per MT in excess of 100 MT	57,800 + 835 per MT in excess of 100 MT	61,250 + 885 per MT in excess of 100 MT
Above 200 MT	76,475+510 per MT in excess of 200 MT	1,25,725 + 839 per MT in excess of 200 MT	1,33,325 + 889 per MT in excess of 200 MT	1,41,300 + 942 per MT in excess of 200 MT	1,49,750 + 999 per MT in excess of 200 MT

* The Authority has proposed one time increase of 64% in Domestic Landing charges with effect from April 1, 2024 and 6% increase Y-o-Y thereafter till FY 2027-28.

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.
- Tariff for International flights, if any, during the Second Control Period, will be same as applicable to

Domestic flights, in that particular year.

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

Table 77: Parking charges (per hour) up to two hours after free hours for the Second Control Period proposed by the Authority

(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	3.40 per hour per MT	5.50 Per Hour Per MT	5.85 Per Hour Per MT	6.25 Per Hour Per MT	6.60 Per Hour Per MT
Above 25 MT up to 50 MT	84.40 + 4.5 per hour per MT in excess of 25 MT	138.55 + 7.40 per MT per hour in excess of 25 MT	146.85 + 7.85 per MT per hour in excess of 25 MT	155.65 + 8.30 per MT per hour in excess of 25 MT	165.00 + 8.80 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	196.85+ 9 per hour per MT in excess of 50 MT	323.55 + 14.80 per MT per hour in excess of 50 MT	342.95 + 15.70 per MT per hour in excess of 50 MT	363.55 + 16.65 per MT per hour in excess of 50 MT	385.35 + 17.65 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	646.80+ 11.25 per hour per MT in excess of 100 MT	1,063.60 + 18.50 per MT per hour in excess of 100 MT	1,127.40 + 19.60 per MT per hour in excess of 100 MT	1,195.05 + 20.80 per MT per hour in excess of 100 MT	1,266.75 + 22.05 per MT per hour in excess of 100 MT
Above 200 MT	1,771.66+ 12.40 per hour per MT in excess of 200 MT	2,913.65 + 20.35 per MT per hour in excess of 200 MT	3,088.45 + 21.60 per MT per hour in excess of 200 MT	3,273.80 + 22.90 per MT per hour in excess of 200 MT	3,470.20 + 24.25 per MT per hour in excess of 200 MT

* The Authority has proposed one time increase of 64% in Parking charges with effect from April 1, 2024 and 6% increase Y-o-Y thereafter till FY 2027-28.

Table 78: Parking charges beyond first four hours for the Second Control Period proposed by the Authority

(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	6.75 per hour per MT	11.10 Per Hour Per MT	11.75 Per Hour Per MT	12.45 Per Hour Per MT	13.20 Per Hour Per MT
Above 25 MT up to 50 MT	168.73 + 9 per hour per MT in excess of 25 MT	277.10 + 14.80 per MT per hour in excess of 25 MT	293.70 + 15.70 per MT per hour in excess of 25 MT	311.35 + 16.65 per MT per hour in excess of 25 MT	330.05 + 17.65 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	393.7+ 18 per hour per MT in excess of 50 MT	647.10 + 29.60 per MT per hour in excess of 50 MT	685.95 + 31.40 per MT per hour in excess of 50 MT	727.10 + 33.25 per MT per hour in excess of 50 MT	770.75 + 35.25 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1293.59+ 22.50 per hour per MT in excess of 100 MT	2,127.15 + 37.00 per MT per hour in excess of 100 MT	2,254.80 + 39.20 per MT per hour in excess of 100 MT	2,390.10 + 41.55 per MT per hour in excess of 100 MT	2,533.50 + 44.05 per MT per hour in excess of 100 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 200 MT	3543.32+ 24.75 per hour per MT in excess of 200 MT	5,827.30 + 40.75 per MT per hour in excess of 200 MT	6,176.90 + 43.15 per MT per hour in excess of 200 MT	6,547.55 + 45.75 per MT per hour in excess of 200 MT	6,940.40 + 48.50 per MT per hour in excess of 200 MT

Notes:

- 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.
 - For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
 - Charges shall be calculated on the basis of nearest MT.
 - Charges for each period parking shall be rounded off to nearest rupee.
 - 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.
 - It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Patna 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.
 - Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
 - For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rate if any.
 - Tariff for International flights, if any, during the Second Control Period, will be same as applicable to Domestic flights, in that particular year.
- 17.2.5 **User Development Fees (UDF):** UDF charges proposed by the Authority for PIA 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
Embarking passenger	660.00

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

Type of Passenger	Domestic Flight
Embarking passenger	750.00

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

Type of Passenger	Domestic Flight
Embarking passenger	900.00

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

Type of Passenger	Domestic Flight
Embarking passenger	1,050.00

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. The existing UDF charges will be applicable on the tickets issued till March 31, 2024.
5. Revised UDF charges will be applicable on the tickets issued on or after April 1, 2024
6. Tariff for International flights, if any, during the Second Control Period, will be same as applicable to Domestic flights, in that particular year.

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. 20/2018-19 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GoI.