Contents

1 Background for the current Consultation paper

1.1 Consultation Paper No. 14/ 2013-14 dated 26th June 2013 was issued by the Airport Economic Regulatory Authority (Authority) in the matter of determination of Tariffs for Aeronautical Services with respect to Kempegowda International Airport, Bangalore for the first Control Period 1st April 2011 to 31st March 2016.

1.2 general methodology of tariff determination has been under Single Till as was given by the Authority in Direction No. 5/ 2010-11 dated 28th Airport Guidelines and Order No. 13 / 2010-11 dated However pursuant to Economic Regulatory Authority Appellate Tribunal (AERAAT dated 15th February 2013, as detailed in Para 1.10 below, BIAL had submitted revised Multi Year Tariff Proposals in (MYTP 2012) November 2012 under Single Till and Dual Till.

1.3 In the Consultation Paper referred to in Para 1.1 above, the Authority had analysed the submissions made by BIAL as part of its revised MYTP 2012 filed under Single Till and Dual Till and the corresponding Annual Tariff Proposals detailing the rate card of various charges. The Authority had analysed each component of the Regulatory Building Block (RBB) under both Single Till and Dual Till that was submitted by BIAL and had presented the proposals under each Regulatory building block (both under Single Till and Dual Till), for Stakeholder Consultation and Comments.

1.4 Comments were sought from Stakeholders on the Proposals laid down by the Authority in the Consultation Paper, within the time line of 5th August 2013, as specified in the Consultation Paper.

1.5 A Stakeholder Consultation Meeting was held on 22nd July 2013, wherein the comments of the stakeholder comprising of Airlines, Fuel Farm Operators, Industry associations and that of BIAL were discussed, the minutes of which has been uploaded in the website of the Authority.

1.6 Further to the Stakeholder meeting, pursuant to requests received from BIAL and other Stakeholders, the Consultation period, originally proposed to end on 5th August 2013 was extended upto 19th August 2013 which was later extended upto 19th September 2013 and finally extended upto 25th September 2013.

1.7 Apart from the responses received during the Stakeholder Consultation Meeting on 22nd July 2013, the Authority has, received responses from BIAL and the following stakeholders:

1.7.1 Airports Authority of India (AAI)

1.7.2 Air France

1.7.3 Association of Private Airport Operators (APAO)

1.7.4 Blue Dart Aviation

1.7.5 British Airways

1.7.6 Cathay Pacific

1.7.7 Federation of Indian Airlines (ĞFIA ĝ)

1.7.8 Government of Karnataka (ĞGoK ĝ)

1.7.9 Hindustan Petroleum Corporation Limited (ĞHPCL ĝ)

1.7.10 International Air Transport Association (ĞIATA ĝ)

1.7.11 a Ŝ ƴ Î ƛ Ŝ ă ! Ǿ ƛ ŀ ű ƛ ꝸ ƴ . ꝸ ō ō ŀ ó . Ω f ꝸ NJ Ŝ ú

1.7.12 Ministry of Civil Aviation (ĞMoCA ĝ)

1.7.13 Sanjeev V Dyamannavar

1.7.14 Zurich Airport

These responses are under consideration of the Authority. The comments received have also been dzLJ f ꝸ ŀ Ř Ŝ Ř ꝸ ƴ ű K Ŝ ! dz ű K ꝸ NJ ƛ No. 12/2013-14 dated 26th September 2013. t dz ō f ƛ Ŏ

1.8 Subsequent to the Stakeholder Consultation Meeting, BIAL had, vide letter dated 30th July 2013, submitted to the Authority as follows:

> *ĞAs you are kindly aware, while submitting the tariff proposal, BIAL had submitted its proposal, based on its interpretation of provisions of Concession Agreement, on Dual Till basis. It also submitted its proposal on Single Till basis only as per directions of the Authority.*
>
> *While determining UDF for BIAL, MoCA, though of the view that no cross subsidization from non-aeronautical revenue is provided in the Concession Agreement, finalized UDF on the basis of cross subsidization of 30% from non-aero revenue. UDF decided by MoCA in the year 2008/09 was on ad-hoc basis and continued till the commencement of first control period.*
>
> *BIAL had submitted a letter dated July 5th 2013 to MoCA, as it had granted the concession, reiterating for dual till, based on its interpretation of the concession agreement.*
>
> *BIAL had been consistently contesting that Concession Agreement does not envisage cross subsidization. However, in order to reach to a workable solution, BIAL intends to agree with the tariff on hybrid till model and accordingly is in the process of submitting calculations based on Hybrid Till model with 30% cross subsidization. It will not be out of place to mention that even with this model, funds requirement of BIAL for expansion and debt repayment might need a special consideration.*
>
> *Additionally, BIAL will file its detailed response to Consultation Paper referred above. In the meantime, we request the Authority to kindly consider request of BIAL to consider Hybrid Till model for determination of tariff for Bengaluru International Airport.Ġ*

1.9 Further to the aforementioned letter, BIAL has, on 19th August 2013, submitted to the Authority, its Multi Year Tariff Proposal (dMYTP 2013ő) under the Single Till, Dual Till and Shared Revenue till mechanism Φ Lű Ყŀè ōŜ ỵ2űŜŘ űKŀű ...th July 2013 indicated a L ! [Ωă f request for review of proposal under what it calls as Hybrid Till, the Authority has noted, from the submissions made by BIAL that it has considered Shared Revenue Till model wherein 30% of Gross Revenues from Non-Aeronautical Services has been set off from the Aggregate Revenue Requirements computed for the Aeronautical Services, without taking into account the costs associated with providing these Non-Aeronautical services.

1.10 Lű Ყŀè ōŜ ỵ2űŜŘ űKŀű .L![KŀŘΣ ǾƛŘŜ !LJLJŜŀf ! 9w!!¢ ǑKŀffŜỵ∃ŜŘ űKŜ !dzűK2NJƛűèΩă !ƛNJLJ2NJű hNJŘŜNJ Order dated 15th February 2013, disposing off the Appeal No. 7/2011 held that:

άpΦ XX ǿKŜỵ űKŜ Ყŀűű ŜNJă Ǒŀ ႸŜ Ŧ2NJ ŘƛăLJ2ăŀf 2ỵ guidelines the directions issued pursuance thereto yet there would be no impediment for the AERA to consider all the relevant issues and then to finalise the order regarding the ŘŜűŜNJ Ყƛỵŀűƛ2ỵ 2Ŧ űŀNJƛŦŦ 2Ŧ ŀƛNJLJ2NJűăΦέ XΦΦ

άcΦ LŦ űKƛă ƛă ă2Σ űKŜNJŜ ǿ2dzfŘ ỵ2ű ōŜ ŀỵè ǉdz appeals at this stage since in spite of the impugned orders it will be open for the appellants to canvass all the contentions which they want to raise in these appeals and convince AERA about their merits.

7. It has so happened that in spite of elapse of substantial time period the tariff has still not been determined which causes prejudice to both the concerned parties as well as the stakeholders.

8. In that view, we would dispose off these appeals with the direction to the AERA to complete this exercise of determination of tariff and while doing so, the AERA would give opportunities to all the stakeholders to raise all the plea and contentions and consider the same. The impugned orders herein would not come in the way of that exercise. We would, however, request AERA to complete the determination exercise as expeditiously as possible. We have taken this view as we are of the firm opinion that it would not be proper to entertain the appeals on different stages of determination of tariff and to give the finality to the questions of final determination of ű ŀNJƛŦŦXXέ

1.11 ¢KŜ !dzűK2NJƛűè ỵ2űŜă űKŀű LJdzBIAL had made its submissions űKŜ ŀ2ỵ before the Authority in April 2013. In these submissions, BIAL had considered only Single Till and Dual Till Regulatory approaches. Similarly, in its presentation to the Stakeholders on 22nd July 2013, BIAL had made no reference regarding its intention to also submit proposals under Shared Revenue Till. The Authority notes therefore that BIAL had not made any submissions / proposals regarding the

Shared Revenue Till upto the stage of { ű Ɩ ˥ Ŝ K ƌ ƚ Ř ŜNJ ă Ω Ŏ ƌ ƴ ă nd July 2013 and upto ƴ Ƴ Ŝ Ŝ ű ƛ

the end of July 2013, when for the first time, BIAL indicated its intention of making submissions also

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1.12 In the normal course therefore, the Authority, would have been well within its rights not to consider the fresh tariff proposal of BIAL under Shared Revenue Till. However with a view to give BIAL a last opportunity ƛ ƴ ű K ƛ ă NJ Ŝ ∃ Ɩ NJ Ř Σ ű K Ŝ ! dz ű K ƌ NJ ƛ ű è also ƛ ă LJNJ ƌ Ŏ under Shared Revenue Till (in addition to Single Till). In Chapter 26 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013, the Authority had analysed the Regulatory Approaches under Single ¢ ƛ ƚ ƚ Ɩ ă ǿ Ŝ ƚ ƚ Ɩ ă 5 dz Ɩ ƚ ¢ ƛ ƚ ƚ Ɩ ƴ Ř Ŧ ƛ ƴ Ɩ ƚ ƚ è LJNJ ƌ LJ ƌ ă Ŝ Ř proposing to adopt Dual Till have also been detailed in the said chapter.

1.13 Furthermore, the Authority received a letter dated 24th September 2013 from Ministry of Civil Aviation as below:

> *I am directed to refer to AERA's letter NO.AERN20010/MYTP/BIAL/2011-Vol./1 4447 dated 276.2013 on the above mentioned subject.*
>
> *Ministry of Civil Aviation have carefully gone through the proposal contained in the Consultation Paper as well as the building blocks for economic regulation of Bengaluru International Airport contained therein. The Consultation Paper has proposed various charges for Aeronautical Services including User Development Fee (UDF) both under Dual till as well as Single till. The BIAL is undertaking substantial expansion to the terminal building and Second Runway etc. at Bengaluru International Airport. The Consultation Paper indicates that BIAL needs an additional amount of about Rs. 4,027 crore during the control period (2011-16) for expansion purpose.*
>
> *The AERA has proposed a Single till approach wherein the revenue from Aeronautical Services as well as Non-Aeronautical Services as mentioned in the Consultation Paper are considered along with associated costs to determine the Aeronautical charges as well as the UDF. The Ministry of Civil Aviation feels that the requirement of capital for the expansion during the current control period would be difficult to be met under a Single till approach. A Shared Revenue till of 40% would strike an appropriate balance between the needs of expansion of the airport as well as passenger interest, in terms of keeping the user charges at reasonable level. Therefore, 40% of gross revenue generated by BIAL from Non Aeronautical Services may be reckoned towards subsidizing Aeronautical charges and UDF.*
>
> *Furthermore, in view of the various provision of AERA Act, 2008 with respect to the Aeronautical Services, the Fuel Throughput Charge that is levied by Airport Operator may be considered as Aeronautical revenue in the hands of the Airport Operator. The revenues*

from cargo, ground handling services and fuel supply which are defined as Aeronautical Services in the AERA Act, 2008 may be reckoned as Aeronautical Revenues and considered accordingly irrespective of the providers of such Aeronautical Service

1.14 The Authority has noted that MoCA, in its letter dated 24th September 2013, after having carefully gone through the Proposals contained in the Consultation Paper as well as Building Blocks for Economic Regulation of BIAL contained therein, has given its view, inter alia that, 40% of Gross revenue generated by BIAL from Non Aeronautical Services may be reckoned towards subsidising Aeronautical charges and the UDF. In light of the detailed reasoning mentioned in Chapter 26 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013 and MoCA letter dated 24th September 2013 giving its view regarding 40% Shared Revenue Till, the Authority is not further analysing again,

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that BIAL had stated that it considers Shared Revenue Till so as *ά ű ƻ NJ Ŝ Ǐ Ŏ Ƙ ű ƻ Ǐ ǿ ƻ NJ ʅ Ǐ ō ʄ*

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1.15 In its revised submission on Shared Revenue Till, BIAL has made significant changes to some of the Building Blocks. This has necessitated recalculation of almost all the Regulatory Building Blocks. The Authority therefore has examined this in detail and its proposals are now put up for

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1.16 In Paragraph 7 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013 the Authority had explained the Building Blocks for calculation of ARR. The Authority had stated that the ARR under Single Till for the Control Period (ARR) will be calculated as under:

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where

1.16.1 t is the Tariff Year in the Control Period.

1.16.2 ARR_t is the Aggregate Revenue Requirement for year t.

1.16.3 FRoR is the Fair Rate of Return for the control period.

1.16.4 RAB_t is the Regulatory Asset Base for the year t.

1.16.5 D_t is the Depreciation corresponding to the RAB for the year t.

1.16.6 O_t is the Operation and Maintenance Expenditure for the year t, which includes all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandated operating costs.

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

1.16.8 NAR_t is the Gross Revenue from services other than aeronautical services for the year t.

1.17 L ƴ ! dz ű K ≥ NJ ƛ ű è Ω ă ű Aeronautical Revenue is normally that which is generated within the Terminal Building as well as on account of car parking and other items like Advertisement etc. The revenue that BIAL may obtain from Land monetisation is taken as Revenue from such monetisation and not included in the above formula as Non-Aeronautical Revenue, ű K ≥ dz ∃ K ă dz Ŏ K NJ Ŝ Ǿ Ŝ ƴ dz received from services other than the Aeronautical services έ (Section 13(1)(a)(v) of The Airports Economic Regulatory Authority of India Act, 2008 ό ά ! 9 w !). The Authority has noticed that in its discussion and some of the correspondences, BIAL regards Revenue from activities outside the Terminal Building (and particularly from land etc.) also as Non-Aeronautical Revenue. The Authority has in its framework in Airport Order and Airport Guidelines, given a separate treatment for monies obtained from commercial exploitation of land. The letter dated 26th August 2013 received from GoK indicates the guiding principles for utilisation of land as contained in its various documents, the relevant extracts of which were also attached to the letter. The Authority has already analysed in detail the relevant documents and had detailed its analysis in Consultation Paper No. 14/ 2013-14 dated 26th June 2013. The Authority had therein felt that the proceeds from land monetisation should flow into the Airport Project for which one of the mechanisms indicated by the Authority was reduction from RAB.

1.18 BIAL in its MYTP 2013 submissions has also presented the computation of ARR under 30% Shared Revenue Till. It has thus taken into account 30% of Gross Revenue from Non-Aeronautical Services without considering costs associated thereto. Hence, under Shared Revenue Till, the ARR computation can be explained as under:

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where

1.18.1 t is the Tariff Year in the Control Period.

1.18.2 ARR_{At} is the Aggregate Revenue Requirement for Aeronautical Services year t.

1.18.3 FRoR is the Fair Rate of Return for the control period.

1.18.4 RAB_{At} is the Regulatory Asset Base for the year t on the Asset Base related to provision of Aeronautical Services.

1.18.5 D_{At} is the Depreciation corresponding to the RAB for the year t on the Asset Base related to provision of Aeronautical Services.

1.18.6 O_{At} is the Operation and Maintenance Expenditure for the year t, which include expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandated operating costs, for providing Aeronautical Services.

1.18.7 T_{At} is the Taxation for the year t, which includes payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of ARR for Aeronautical Services for the year t.

1.18.8 NAR_t is the Gross Revenue from services other than aeronautical services for the year t.

1.18.9 [illegible] Gross Non-Aeronautical Revenue taken into account for the purposes of calculation of Aeronautical Tariffs.

1.19 The Authority therefore proposes to proceed in the matter as under:

1.19.1 Make necessary calculations based on the changes made by BIAL to the various regulatory building blocks and recalculate ARR as well as estimates of individual Aeronautical tariff items. BIAL, in its revised submissions under Shared Revenue Till has retained the same Landing, Parking and Housing charges as per the tariff card that was proposed as Annex to the earlier Consultation Paper No. 14/ 2013-14 dated 26th June 2013. The Authority would accordingly estimate the resultant User Development Fee (UDF) under Single Till, 30% Shared Revenue Till (as suggested by BIAL) as well as 40% Shared Revenue Till (as per MoCA letter dated 24th September 2013).

1.19.2 Based on the comments that may be received for this Consultation Paper as well as the responses received on the earlier Consultation Paper No. 14/ 2013-14 dated 26th June 2013 (as listed in Para 1.7 above), as well as [illegible] responses thereon, the Authority, after examination, would issue the order for Aeronautical tariff determination in this regard.

1.20 This Consultation Paper therefore makes appropriate references wherever required to the details / analysis provided by the Authority in its earlier Consultation Paper No. 14/ 2013-14 dated 26th June 2013 issued with respect to Multi Year Tariff proposal for the first Control period for BIAL i.e MYTP 2012. Such references are generally with regard to the reasoning for adopting a particular approach and proposal as well as calculations based on earlier submissions made by BIAL.

2 Overview of the submissions made by BIAL in August 2013 and clarifications provided thereafter

2.1 BIAL has submitted its revised MYTP 2013 and Business plans under Single Till, Dual Till and Shared Revenue Till on 19th August 2013.

2.2 BIAL had also submitted report dated 2nd August 2013 from its auditors on allocation of Assets and a report dated 20th August 2013 from its auditors on allocation of Expenditure between Aeronautical and Non-Aeronautical services. BIAL has submitted a revised report dated 19th November 2013 from the auditors on allocation of Expenditure between Aeronautical and Non-Aeronautical services.

2.3 Key changes made by BIAL in the revised tariff plan Σ ǿ K ƛ Ŏ K ŀ NJ Ŝ ƛ ƴ f ƛ ƴ Ŝ ǿ proposals detailed in Consultation Paper No. 14/ 2013-14 dated 26th June 2013 are as follows:

2.3.1 Updation of the Non-Aeronautical Revenue and Expenditure in line with actuals for the year 2012-13.

2.3.2 Consideration of Interest Income as part of Non-Aeronautical Revenues, for the purpose of computation of ARR.

2.3.3 Merging of Common Infrastructure Charges (ǾCIC ǿ) into UDF levy.

2.3.4 Adding the Foreign Exchange Gain (reduced from Opening RAB in the books of accounts) to the Opening RAB.

2.3.5 Updating the Traffic based on actual traffic for 2012-13.

2.3.6 Consideration of Depreciation on 100% of the asset value, without considering any salvage value.

2.4 BIAL has also made other changes to the revised tariff proposals, as given below, which were not a part of the MYTP 2012 and hence not discussed in the earlier Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

2.4.1 Changes to asset allocation ratio between Aeronautical Services and Non-Aeronautical Services as compared to the earlier submission

2.4.2 Changes to expenditure allocation ratios between Aeronautical Services and Non-Aeronautical Services as compared to the earlier submission

2.4.3 Changes to projections of Capital Expenditure to be incurred during the current control period

2.4.4 Bifurcation of the assets that will be capitalised during the Control period into different asset categories

2.4.5 Increase in per passenger revenue estimates of some categories of Non-Aeronautical revenue such as Retail, F&B, Advertisement etc.

2.4.6 Increase in cost estimates for Operation & M l· ƛ ƴ ű Ŝ ƴ l· ƴ ŏ Costs for 2013-14 ɛ ύ

2.4.7 Change in Cargo growth estimates for 2013-14 thereby consequently increasing the revenue from Cargo concessionaires

2.5 Further to the submissions made by BIAL, queries were raised by the Authority vide letter dated 5th October 2013 for which BIAL submitted its replies on 15th October 2013 and made presentation to the Authority on 25th October 2013.

2.6 Based on the review of the additional submissions made by BIAL further queries were sought from BIAL on 5th November 2013. BIAL had submitted its responses on 2nd December 2013. Further to the same, site visit was carried out by the Authority and discussions with BIAL were held during 18th December 2013 and 19th December 2013.

2.7 Subsequent to the meetings, additional queries were sought from BIAL on 20th December 2013. Salient queries relate to West Apron Extension, Airside works, its layout and Terminal Building and Canopy plans, its layout, detailed workings relating to the segregation of costs between Aeronautical and Non Aeronautical services, estimate of Aerobridge charge collection, details relating to the variable tariff proposal, Response to EIL report, justification for the area considered for Terminal 2 ςPhase 1, details of assessment of Peak Hour Passenger capacity etc. The Authority has received response from BIAL on 17th January 2013 on some of these queries. On receipt of responses from BIAL, the same will be considered appropriately at the time of issue of Order for determination of Aeronautical tariffs for the current control period.

2.8 The ensuing paragraphs of the instant Consultation Paper elaborate, under each Building Block, a summary of the earlier Consultation Paper, details of the current submission by BIAL including additional submissions and clarifications l· ƴ Ř ! dz ű K ƻ NJ ƛ ű è Ω ă Ŝ È l· Ƴ ƛ ƴ l· ű ƛ ƻ made, under Single Till and Shared Revenue Till.

3 Pre-control period shortfall claim

(a) BIALΩ să submission on Pre-control period losses and ! dz ű K 2 NJ ƛ ű è Ω ă t NJ 2 LJ 2 ă l· Consultation Paper No. 14/2013-14 dated 26th June 2013

3.1 BIAL had claimed Pre-control period shortfall in its earlier MYTP 2012 submissionΦ . L ! [Ω ă MYTP 2012 submission of pre-control period shortfall under Single Till consisted of two components viz. (a) Shortfall of Rs. 53.30 Crore from the date of inception of BIAL viz. 2001-02 till the Airport Opening date 24th May 2008 and (b) Shortfall of Rs. 188.30 Crore from the date of opening of Airport till the commencement of the first control period viz. 31st March 2011. Both these issues were considered by the Authority. The Authority had proposed to consider Pre-Control Shortfall from the date of Airport Opening till 31st March 2011 as detailed by the Authority in Table 10 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013 and detailed in its Proposal as Proposal No. 2.

3.2 The final Pre-control period shortfall proposed to be considered by the Authority as detailed in Consultation Paper No. 14/ 2013-14 dated 26th June 2013 has been reproduced here for easy reference.

Table 1: Table 10 of Consultation Paper No. 14/2013-14 - Recomputed Precontrol period shortfall claim considered by the Authority - Rs. Crore

Particulars	2008-09	2009-10	2010-11	Total
Fair Rate of Return on RAB	132.62	164.27	161.39	458.28
Depreciation	113.46	134.40	135.31	383.17
Operating Costs	146.26	163.60	176.10	485.96
Income Tax	0.86	8.78	29.61	39.25
Aggregate Revenue Requirement (Rs. Crore)	393.20	471.06	502.40	1366.66
Less: Revenue from Operations (Aero Revenue, Non-Aero Revenue and Interest Income)	(315.41)	(474.01)	(559.91)	(1349.33)
Net Shortfall	77.79	(2.96)	(57.51)	17.32
Add: Calculation of Concession Fee and OMSA Fee on the Pre-Control Shortfall	4.34	(0.17)	3.21)	4.17
Total claim	82.13	(3.12)	(60.72)	18.29
Compounding factor	1.18	1.09	1.00	
Compounded	97.30	(3.41)	(60.72)	33.17

3.3 The Authority had also elaborated the different reasons for considering the Pre-control period shortfall for the company as a whole, both under Single Till and Dual Till in Para 6 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

(b) BIALΩǎ MYTP 2013 submission on Pre-control period losses

3.4 BIAL has, in its revised submission MYTP 2013 has claimed Pre-Control period Shortfall as under:

Table 2: Details of revised Pre-Control Period Shortfall claimed by BIAL, Rs. Crore

Till	Amount claimed
Single Till	178.70
Shared Revenue Till at 30%	496.64
The amounts include both the components (a) and (b) as detailed in Paragraph 3.1 above	

3.5 In its response to Consultation Paper No. 14/ 2013-14 dated 26th June 2013, BIAL has stated as under:

> *ά X BIAL submits that, in accordance with Concession Agreement and especially article 10.22 read with Schedule 6, BIAL was required to seek approval of MoCA with respect to regulated charges, which includes LPH charges. As per discussions and in agreement with MoCA, BIAL did not increase LPH charges at the time of airport opening. Further, BIAL had also sought increase in LPH charges at the time of levy of UDF. However, MoCA approved adhoc UDF only and did not approve increase in LPH charges. BIAL could therefore, not charge higher LPH charges. BIAL has not had the opportunity to increase LPH charges to recoup its pre-airport opening date losses and Authority is requested to take this into account and allow pre control period losses.X ά*

(c) AuthorityΩ ǎ Ŝ Ȅ ŀ Ƴ ƛ ȳ ΩŚ ƛ ƴ ǎ submission on Pre-control period losses

3.6 In its Consultation Paper No. 14/ 2013-14 dated 26th June 2013, the Authority had noted that *ά BIAL has adopted the then prevailing rates at AAI airports although it had the option of adopting higher of AAI tariff effective 2001 duly increased with inflation index upto the Airport Opening Date ά*

3.7 In its response to Consultation Paper No. 14/ 2013-14 dated 26th June 2013, BIAL has stated that BIAL had, as per discussions and in agreement with MOCA it did not increase LPH charges at the time of Airport Opening, as detailed in Para 3.5 above. In addition, the Authority notes that BIAL itself, vide letter dated 12th November 2007 stated that they are not increasing the Landing and Parking charges (Refer Para 3.10 below)

3.8 The Authority understands that BIAL had requested MoCA vide its letter dated 12th November 2007, for sanction of UDF on domestic and International passengers at Rs. 675 per departing domestic passenger and Rs. 955 per departing International passenger respectively. The Authority also notes that MoCA vide letter dated 3rd April 2008, granted adhoc UDF for international departing passengers at Rs. 107 л ó ƛ ȳ Ŏ ſ dz ă ƛ Ǿ Ŝ 2 Ŧ { Ŝ NJ Ǿ ƛ Ŏ Ŝ th January Φ C dz NJ ǘ

2009 granted adhoc UDF to BIAL for domestic departing passengers at Rs. 260/- (inclusive of Service Tax) with effect from 16th January 2009. This letter also gives details of various documents that were still awaited from BIAL.

3.9 ! Ŧ ű Ŝ NJ ű Ķ Ŝ a ƻ / ! th Ωă January ſ 2009 ú approving Ř adhoc Ŝ UDF of Rs. 260 per departing domestic passenger for BIAL again wrote back to MoCA on 23rd January 2009 stating that *ά X ǿ Ŝ Ŏ ƻ ƴ ă ƛ Ř Ŝ NJ ŀ ŷ amount of Rs. 375/as reasonable and justifiable, pending Ŧ ƛ ƴ ŀ ſ ŀ LJLJNJ ƻ Ǿ ŀ ſ ō è ű* Thereafter, on 18th February 2009 BIAL reiterated this *NJ X έ Φ* NJ Ŝ lj dz *for a revision in the domestic adhoc UDF to at least Rs. 375/per departing passenger (on LJ ŀ NJ ǿ ƛ ű Ķ ű Ķ ŀ ű ƻ Ŧ I è Ř Ŝ NJ ŀ ō ŀ Ř Φ L ȼ Ķ Ŝ NJ ƴ* ! dz ű Ķ ƻ X ŀ ƛ ű è ! ƛ ƴ N ƻ L ű ƻ Ŝ correspondences that MoCA had granted different adhoc rates of UDF for BIAL and HIAL. MoCA did not give any decision on these requests of BIAL.

3.10 The Authority Ķ ŀ ă ŀ ſ ă ƻ ƴ ƻ ű Ŝ Ř ű Ķ Ŝ Ŏ ƻ ƴ ű th Ŝ November 2007 . L ! [Ω ă (already referred in Para 3.8 above) wherein BIAL had made certain statements regarding the Airport charges at Bengaluru International Airport that was to be developed by the new Public Private Partnership as under:

> *ά X We respect your concern that airport charges should be levied in a sensitive way by the new public private partnerships and therefore agree to*
>
> *- keep landing, parking and PSF charges at the existing levels in the first year of operation;*
>
> *- increase them thereafter less than required to compensate inflation;*
>
> *- levy UDF charges less than necessary to cover all aviation related costs with aviation revenues;*
>
> *- use non-aviation revenues to compensate in the short term deficits of the aviation segment X Φ έ*

3.11 The Authority particularly notes that BIAL had agreed to keep landing, parking charges unaltered in the first year of operation, as well as use non-aviation revenues to compensate (short term) deficits of the aviation segment.

3.12 L ƴ NJ Ŝ ă LJ ƻ ƴ ă Ŝ ű ƻ th . February Ω 2009 to MoCA seeking for revision in the approved UDF rates, a ƻ / ! Ŧ ƻ NJ ǿ ŀ NJ Ř Ŝ Ř . L ! [Ω ă NJ Ŝ lj dz Ŝ ă ű Ŧ ƻ NJ ƛ ƴ Ŏ NJ Ŝ dated 6th October 2009 for necessary action. The Authority in turn asked BIAL to submit the requisite proposals in this behalf. BIAL vide its letter dated 22nd January 2010 informed that

> *ά ŀ ă è ƻ dz Ƴ ŀ è ō Ŝ ŀ ǿ ŀ NJ Ŝ Σ D ± Ƴ Ķ ŀ ă ű ŀ th ƪ January ƻ Ǿ Ŝ NJ ű Ķ Ŝ 2010. Whereas there is definitely a need for increase of UDF, BIAL would like to understand in detail the parameters for sanction of UDF in the process of being finalised*

by AERA. Once the parameters are understood, BIAL will submit the appropriate ƛ ȳ Ŧ ƌ NJ Y ŀ ű ƛ ƌ ȳ ŀ ű ű K Ŝ Ŝ ŀ NJ ƒ ƛ Ŝ ă ű LJ ƌ ă ă ƛ ō ƒ Ŝ ε

3.13 BIAL had also in response to follow up by the Authority, in its letter dated 4th October 2010 has stated that:

ά X . L ! [ǿ ƌ dz ƒ Ř ƒ ƛ ʅ Ŝ parameters of sanction of UDF. ƛ ȳ Ř Ŝ ű ŀ ƛ ƒ ű K
Further BIAL is in the advanced stages of finalising the Master Plan for expansion of the Terminal One and construction of Terminal 2. Also AERA is yet to come up with the guidelines for Economic Regulation in the airport.

In view of the above, you would appreciate that it would be appropriate for BIAL to submit the revised computation of UDF once AERA comes up with the regulatory philosophy and guidelines for regulated charges as well as BIAL completes the Master LJ ƒ ŀ ȳ ε

3.14 The Authority had deliberated on the issue of determination of UDF in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013. In its Para 6, the Authority had indicated its tentative approach towards treatment of the losses of BIAL prior to the First Control Period that commenced from 1st April 2011. BIAL had started its commercial operations on 24th May 2008. The Authority had termed the losses during the date of its commercial operations till the beginning of the First Control Period ŀ ă -Ŏ ƌ NJ Ŝ NJ ƌ ƒ LJ Ŝ The period commencing from the commercial operations till the commencement of the first control period falls into two sub-periods, namely:

3.14.1 from 24th May 2008 till 1st September 2009 (the date on which the Government notified Chapter 3 and Chapter 6 of the AERA Act thereby empowering the Authority to determine charges for aeronautical services as well as UDF (vide Section 13 of the Act) and;

3.14.2 The period from 1st September 2009 till 31st March 2011 (a period during which the Authority had the powers to determine aeronautical tariffs as well as UDF).

3.15 The Authority was in deliberation and stakeholders discussions regarding its philosophy and framework for tariff determination. The Authority finally issued Order No.13 of 2011 dated 12th January 2011 (Airport Order) regarding its broad approach and philosophy of determination of aeronautical charges as well as other matters indicated in Section 13 of the Act and thereafter issued the guidelines in this behalf on 20th February,2011 (Direction No.5 of 2010-11) (Airport Guidelines).

3.16 The Authority notes that under the Concession Agreement dated 5th July 2004 entered into between the Government of India (GoI) and BIAL the reference of UDF is made as under:

άUser Development Fee means a fee collected from embarking passengers for the provision of passenger amenities, services and facilities and will be used for the *development, management, maintenance, operation and expansion of facilities at the ! ƛNJLJ2NJű ἐ*

ἀPursuant to the principles set out in Article 10.2 of this Agreement, BIAL shall be entitled to levy and recover from airline operators, passengers and other users and in respect of both domestic and international aircraft and passenger movements, at rates consistent with ICAO Policies ű K Ŝ Ŧ 2 ƒ ƒ 2 ǿ ƛ ƴ Ǝ ǹ Ŝ Ǝ dz ƒ ŀ ű Ŝ Ř / K ŀ NJ Ǝ Ŝ ă X ά Ɫ User Development Fee (UDF) (Domestic and International): BIAL will be allowed to levy UDF, w.e.f Airport Opening Date, duly increased in the subsequent years with inflation index as set out hereunder, from embarking domestic and international passengers, for the provision of passenger amenities, services and facilities and the UDF will be used for the development, management, maintenance, operation and expansion of the facilities at the AirportX ἐ

3.17 Against this background, when the Authority issued the Consultation Paper, it had calculated what it calls pre-control period losses for the period commencing from the date of commercial operation of the airport by BIAL (namely 24th May 2008) till the commencement of the first control period (namely 31st March,2011). While making the calculations, the Authority had applied the same framework and methodology that it had decided to follow vide its Airport Order and Airport Guidelines. It had accordingly arrived at a shortfall of an amount of Rs. 33.7 crore as of 31st March 2011 which the Authority had proposed to be added to the ARR for the current control period to arrive at the proposed tariffs for aeronautical services as well as UDF.

3.18 After the issue of Consultation Paper No. 14/ 2013-14 dated 26th June 2013, the Authority also noted, as detailed in Para 6.14 below that the Initial Project cost of Airport needs to be reduced by Rs. 69.45 Crore as detailed by Engineers India Limited in their report. (Refer Para 6.10 below to Para 6.15 below). The Authority has accordingly proposed to reduce this amount from the value of asset capitalised by BIAL in 2008-09. If the Authority were to take into account the report of EIL at the time of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013 and calculated the Pre-control period losses in accordance with the methodology indicated therein, the pre control period losses would have worked out to Rs. 1.88 Crore as under:

Table3: Revised Computation of Pre Control period shortfall by the Authority - Rs. Crore

Particulars	2008-09	2009-10	2010-11	Total
Fair Rate of Return on RAB	127.15	160.54	157.74	
Depreciation	109.27	129.51	130.41	
Operating Costs	146.28	163.64	176.08	
Income Tax	0.86	8.70	29.62	
Aggregate Revenue Requirement (Rs. Crore)	383.56	462.38	493.85	

Particulars	2008-09	2009-10	2010-11	Total
Less: Revenue from Operations (Aero Revenue, Non-Aero Revenue and Interest Income)	-315.41	-474.22	-559.88	
Net Shortfall	68.15	-11.83	-66.02	
Add: Calculation of Concession Fee and OMSA Fee on the Pre-Control Shortfall	3.81	-0.66	-3.69	
Total claim	71.95	-12.49	-69.71	-10.25
Compounding factor	1.18	1.09	1.00	
Compounded	85.24	-13.65	-69.71	1.88

3.19 The Authority has further deliberated on the issue of Pre-control period losses also having regard to the various responses the Authority has received from AAI, IATA, British Airways etc. These responses are summarised below:

British Airways ς ά X ⱬ ў ű K Ŝ -control period losses, AERA should not have retrospective jurisdiction over the period prior to its formation in September 2009, as there was already a regulator during that period (the Ministry). AERA should therefore exclude the period up to September 2009 when assessing pre-Ŏ ⱬ ў ű NJ ⱬ ƚ LJ Ŝ NJ λ ⱬ Ř ƚ ⱬ ă ă Ŝ

IATA ς ά AERA was established by the Indian Government through notification no GSR 317 (E) dated 12 May 2009. Prior to the establishment of AERA, the Ministry of Civil Aviation was the de facto economic regulator. IATA is of the strong view that legally, the Authority does not have jurisdiction over the period prior to its establishment and especially since ű K Ŝ NJ Ŝ ǿ Ɩ ă Ɩ ă Ŝ LJ Ɩ NJ Ɩ ű Ŝ Ŝ ў ű λ ű è LJ Ŝ NJ Ŧ ⱬ NJ Ƴ λ ў Ǝ ű K Ŝ NJ Ŝ
Therefore, in assessing the pre-control period claim, the period between 24 May 2008 (the airport opening) and May 2009 (the establishment of AERA) should be excluded. This principle should be observed notwithstanding the magnitude of the pre-control period Ŏ ƚ Ɩ λ Ƴ Ф ¢ K Ŝ NJ Ŝ Ŧ ⱬ NJ Ŝ Σ ű -control losses of Rs 13.20 Crore should be LJ ⱬ ă Ŝ Ř LJN re-Ŏ ⱬ Ƴ LJdz ű Ŝ Ř X ś

AAI - It is felt that AERA should consider actual operational loss for the previous periods instead of calculating it on ARR method. The consideration of loss effective 2008 on ARR method implies shifting of control period effective 2008.

3.20 The Authority has carefully gone through these comments. It notes the following:

3.20.1 BIAL had in November 2007 submitted a letter to the MoCA asking for UDF, calling it a ónet deficit to be recovered through UDF ś at Rs 955 per international departing passenger and Rs 675 pŜ NJ Ř Ŝ LJ Ɩ NJ ű λ ў Ǝ Ř ⱬ Ƴ Ŝ ă ű λ Ŏ LJ Ɩ ă ă Ŝ ў Ǝ Ŝ NJ ă ű Ɩ ű λ ў Ǝ ű aeronautical charges without UDF are grossly inadequate to cover costs for providing airport infrastructure and facilities to passengers at the new airport at international standards ť

3.20.2 In consideration of this request, the MoCA sanctioned UDF both for per international departing passenger @ Rs. 1070 and Rs. 260 per departing domestic passenger.

3.20.3 BIAL commenced commercial operations on 24th May 2008

3.20.4 BIAL represented back to the MoCA on 9th January 2009 and 18th February 2009 stating that the quantum of the UDF sanctioned by the MoCA is inadequate seeking its enhancement. The MoCA forwarded the same to AERA for necessary action.

3.20.5 The Concession Agreement between the Govt. of India (GOI) and BIAL stipulates that BIAL can charge UDF for the purposes of provision of passenger amenities, services and facilities and the UDF will be used for the development, management, maintenance, operation and expansion of the facilities at the Airport.

3.20.6 The AERA Act came into being on 1st January 2009 when the GOI notified AERA Act. The powers of determination of charges of aeronautical services as well as UDF, etc. were conferred to the Authority by the GOI on 1st September 2009 when Chapter 3 of the AERA Act was notified.

3.21 The Authority, therefore, after careful consideration of the above sequence as well as ă ű ŀ ĩ Ŝ K 2 ť Ř Ŝ NJ ă Ω Ŏ 2 MoCA (that was the then regulator) may have adopted certain framework in this behalf while sanctioning UDF. The Authority therefore proposes that it would take into account only the period from 1st September 2009 till 31st March 2011 i.e the period during which the Authority had been given the powers of determining tariffs for Aeronautical Services including UDF. The Authority also proposes that it would review the loss that may have been incurred by BIAL during this period and that it would not consider the period prior to 1st September 2009.

3.22 The books of accounts of BIAL indicate that for both the years 2009-10 as well as 2010-11, BIAL did not post any loss in its Profit and Loss statements. The Authority therefore proposes that there would be no occasion to reckon any loss to be added to the ARR for the current control period for determining tariffs for Aeronautical services as well as UDF in case of BIAL. Hence the Authority proposes that no pre-control period losses be reckoned in case of BIAL for the current control period.

Proposal No. 1. Regarding Pre-control period shortfall claim

a Based on the material before it and its review, the Authority proposes

i) Having noted that for the period 2009-10 and 2010-11 BIAL has not posted any losses in its Profit and Loss statements, not to consider Pre-control period shortfall for the purpose of determination of Aeronautical Tariffs for the current control period.

4 Allocation of Assets and Expenditure ς Aeronautical / Non-Aeronautical

(a) . L ! $uΩmăission on Asset and Expenditure Allocation I· ƴŘ ! dz ű Ʀ ² NJ ƛ ű è Ω ă detailed in Consultation Paper No. 14/2013-14 dated 26th June 2013

4.1 BIAL had submitted details of bifurcation of Assets and Expenses into Aeronautical and Non-Aeronautical assets, in its earlier MYTP 2012 submission, based on which the Authority had issued its Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

4.2 The Asset allocation between Aeronautical and Non-Aeronautical relied by BIAL in MYTP 2012 was on the basis of Report from its Auditors (Price Waterhouse) that it had earlier submitted to MoCA in 2008. Similarly BIAL had submitted the allocation of expenditure between Aeronautical and Non-Aeronautical services in MYTP 2012, however, it had not indicated the basis thereof. Thereafter, upon enquiry by the Authority, BIAL had submitted vide letter dated 17th May 2013 a Concept document detailing the break-up of costs between Aeronautical and Non-Aeronautical Services which was based on Management estimates.

4.3 Accordingly, the Authority had proposed to consider the break-up provided by BIAL for the purpose of computation of ARR under Dual Till in the Consultation Paper No. 14/ 2013-14 dated 26th June 2013. It had also proposed to commission an independent study to assess the reasonableness of the asset allocation submitted by BIAL and to consider the conclusions thereof at the time of determination of aeronautical tariff in the next control period. Asset allocation ratio considered by the Authority, detailed in Table 12 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013, is reproduced below:

Table 4: Table 12 of Consultation Paper No. 14/ 2013-14 - Ratio of Aeronautical Assets to Total assets considered

In%	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB of Aeronautical Assets as %age of Total Assets	81.47%	82.09%	82.42%	82.31%	82.37%
Total Average RAB	1569.83	1579.54	2395.22	3148.27	3063.61

(b) BIALΩ ă MYTP 2013 submission on Asset and Expenditure allocation between Aeronautical and Non-Aeronautical Services

4.4 BIAL has, in MYTP 2013, submitted certificate from the Auditors and a revised allocation methodology for its assets and expenditure. BIAL has submitted that

> *ά ² ƛ ű K ădzō ă Ŝ ǉdzŜ ƴű ŘŜǾŜ ƒ ²LJΥŜ ƴű ă ƒ ƛ ỉ Ŝ ΥŜ ű K ² Ř ² ƒ ² Consultation Paper of DIAL, MIAL and HIAL and improvement to existing Terminal to facilitate increase in passenger traffic and additional west apron coming up, Management*

envisaged the requirement of revisiting the earlier allocation. Hence, BIAL appointed KPMG, our Statutory Auditor to provide the revised classification of assets and expenses into Aeronautical and Non-Aeronautical.

4.5 The ! dzŘ λ ŕ report on allocation of assets dated 2nd August 2013 and expenditure dated 20th August 2013 inter alia states as below:

Report in connection with Agreed-upon procedures related to the Statement of allocation of fixed assets into Aeronautical and Non-Aeronautical

“Based on procedures performed as listed in Annexure 1, the allocation of fixed assets between Aeronautical and Non-Aeronautical in the Statement (Refer Annexure 2) is in accordance with the basis of allocation as listed and certified by the Management in Annexure 3.

Because the procedures performed do not constitute either an audit or a review made in accordance with the generally accepted auditing standards in India, we do not express any assurance on the allocation of the fixed assets between Aeronautical and Non-Aeronautical as on 31 March 2011.

Had we performed additional procedures, an audit or a review in relation to the basis of allocation of fixed assets between Aeronautical and Non-Aeronautical, other matters might have come to our attention that would have been reported to you.”

“The following are the indicative agreed upon procedures performed for Bangalore International Airport Limited ("BIAL"/ "the Company"):

The agreed upon procedures to be performed on the Statement of allocation of fixed assets into Aeronautical and Non-Aeronautical as at 31 March 2011 are as below:

- *Trace the total value of the fixed assets as per the Statement with the audited financial statements for the year ended 31 March 2011;*
- *Read the Basis of allocation ("Annexure 3") which details the guidelines followed by the Company for the allocation of Fixed assets into Aeronautical and Non-Aeronautical;*
- *Verify the items of fixed assets as at 31 March 2011 on a test check basis and using the concept of materiality for the allocation into Aeronautical and Non-Aeronautical on the basis of the guidelines as enumerated in Annexure 3;*
- *For common assets, verify the basis of allocation and compare the same with the basis of allocation as enumerated in the guidelines enumerated in Annexure 3; and*

¶ *Report the factual findings and the observations based on the procedures performed X*

Report in connection with Agreed-upon procedures related to the Statement of allocation of operating expenses into Aeronautical and Non-Aeronautical

ά X

a) The personnel cost has been allocated based on cost center wise report. We have not independently verified the accuracy of the cost center mapping for the various personnel working on the rolls of the Company. For common functions like Engineering and maintenance, corporate functions, common commercial offices we have relied on the Management's best estimate of the time spent on Aeronautical and Non-Aeronautical activities. We have not independently verified the Management's estimate;

b) The operations and maintenance cost and General administration costs have been allocated based on Management's best estimate of expenses incurred at 90% towards Aeronautical and 10% towards Non-Aeronautical. We have not independently verified the Management's estimate;

c) The Management has allocated 100% of the land lease rent to Aeronautical as it is of the view that a very negligible portion of the land is currently used for Non-Aeronautical activities;

d) The Management has allocated 100% of the utilities cost net of recoveries for energy consumption to Aeronautical as they are of the view that the expenses incurred towards Non-Aeronautical will not be material;

e) The marketing and advertisement expenses have been allocation based on Management's best estimate of expenses incurred at 85% towards Aeronautical and 15% towards Non-Aeronautical. We have not independently verified the Management's estimate; and

f) The Operations and Management services fee which consists of Fixed fee, Input fee and Performance fee in the view of the Management is primarily towards Aeronautical and accordingly 100% has been allocated to the same. The performance fee depends on the service quality (upto 1.1% of EBITDA) and on Economic Performance (upto 0.9% of EBITDA). The Economic Performance relates to the total revenues growth of the Company which include Aeronautical and Non-Aeronautical. The Management has not *allocated a portion of the variable fee linked to Economic Performance to Non-Aeronautical.*

Because the procedures performed do not constitute either an audit or a review made in accordance with the generally accepted auditing standards in India, we do not express any assurance on the allocation of the operating expenses between Aeronautical and Non-Aeronautical for the years ended 31 March 2011, 31 March 2012 and 31 March 2013.

Had we performed additional procedures, an audit or a review in relation to the basis of allocation of operating expenses between Aeronautical and Non-Aeronautical, other
Ƴ Ɩ ű ű ŜNJă Ƴ ƚ ∃ K ű K Ɩ Ǿ Ŝ Ŏ ϩ Ƴ Ŝ ű ϩ ϩ dzNJ Ɩ ű ű Ŝ ƴ ű ƚ ϩ ƴ ű K Ɩ ű

4.6 BIAL has submitted revised Auditors report on allocation of expenses into Aeronautical and Non-Aeronautical dated 19th November 2013, which inter-alia states as below:

ά Ɩ ύ ű K Ŝ LJŜNJă ϩ ƴ ƴ Ŝ ƒ Ŏ ϩ ă ű Σ ϩ LJŜNJƖ ű ƚ ϩ ƴ ă Ɩ ƴ Ř Ƴ Ɩ ƚ ƴ
expenses and general administration overheads have been classified based on department wise reports maintained by the company and allocated between Aeronautical and Non Aeronautical as per the guidelines enumerated in Annexure 3. We have relied on
ű K Ŝ Ř ŜLJƖ NJű Ƴ Ŝ ƴ ű ǿ ƚ ă Ŝ NJŜLJϩ NJű ă LJNJϩ Ǿ ƚ Ř Ŝ Ř ō è ű K Ŝ a

4.7 A comparison of asset and cost allocation submitted by BIAL as part of MYTP 2012 and its MYTP 2013 is tabulated below:

Table 5: Asset allocation between Aeronautical Services and Non-Aeronautical Services submitted by BIAL – MYTP 2012 and MYTP 2013

Nature of Asset	MYTP 2012		MYTP 2013	
	Aero	Non-Aero	Aero	Non-Aero
Assets capitalised before 1st April 2011 and part of Opening RAB	82%	18%	91%	9%
Apron Extension	100%	0%	100%	0%
Terminal 1 Expansion	82%	18%	91%	9%
Maintenance Capital Expenditure - Airfield related	100%	0%	100%	0%
Other Maintenance Capital Expenditure	80%	20%	91%	9%

Table 6: Expenditure allocation between Aeronautical Services and Non-Aeronautical Services submitted by BIAL - MYTP 2012 and MYTP 2013

Head of Expenditure	MYTP 2012		MYTP 2013	
	Aero	Non-Aero	Aero	Non-Aero
Personnel Cost	80%	20%	90%	10%

Head of Expenditure	MYTP2012		MYTP2013	
O&M Cost	85%	15%	90%	10%
Land Lease Rent	77%	23%	100%	0%
Utilities	75%	25%	100%	0%
Insurance	75%	25%	91%	9%
Marketing & Advertising - Collection Costs	100%	0%	100%	0%
Marketing & Advertising - Other Costs	85%	15%	85%	15%
Waiver & Bad Debts	100%	0%	100%	0%
OMSA Fee	100%	0%	100%	0%
General Administration Costs	85%	15%	90%	10%

(c) Authority Ω ă Ŝ È Ŀ Ƴ ƛ BIAL Ώ ă Ə ỹ Ŏ dz ū ŝ NJ submission on Asset and Expenditure allocation between Aeronautical and Non-Aeronautical Services

4.8 The Authority notes that BIAL had ă dz ō Ƴ ƛ ű ű Ŝ Ř ű Ķ Ŀ ű ά . L ! [Ŀ LJLJ Ə ƛ ỹ ű Ŝ Auditor to provide the revised classification of assets and expenses into Aeronautical and Non- ! Ŝ NJ Ə ỹ Ŀ dz ű ƛ Ŏ Ŀ f έ Φ Ŀ Ə ǿ Ŝ Ǿ Ŝ NJ Σ ű Ķ Ŝ NJ Ŝ LJ Ə NJ ű ă dz ō Ƴ ƛ ű ű Ŝ Ř ō è The Authority also notes that the Statutory Auditor of BIAL are BSR & Company and not KPMG. The ! dz ű Ķ Ə NJ ƛ ű è Ķ Ə ǿ Ŝ Ǿ Ŝ NJ Σ ƛ ă NJ Ŝ Ŧ Ŝ NJNJ ƛ ỹ ∃ ű Ə ű Ķ ƛ ă NJ Ŝ LJ Ə NJ ű ƛ ű ă a ¸ ¢ t н л м о ă dz ō Ƴ ƛ ă ă ƛ Ə ỹ That apart, the Authority notes that the t a D έ NJ report from BSR & Co does not indicate its acceptance of the basis of asset and expenditure allocation presented to it by BIAL, and that the basis of asset allocation made by BIAL has not been independently examined by M/s BSR & Co and certified.

4.9 The Authority further notes that the allocation of assets and expenditure has significantly changed with more costs being allocated to Aeronautical Services in the recent submission made by BIAL.

4.10 ¢ Ķ Ŝ ! dz ű Ķ Ə NJ ƛ ű è ỹ Ə ű Ŝ ă submission it had appointed KPMG as its . L ! [Ω Ŀ dz Ř ƛ ű Ə NJ ă Ŧ Ə NJ ! ă ă Ŝ ű Ŀ f f Ə Ŏ Ŀ ű ƛ Ə ỹ Φ t Report in connection Ƴ t a D Ω *with Agreed-upon procedures related to the Statement of allocation of fixed assets into Aeronautical and Non-Aeronautical* έ Φ

4.11 However, KPMG has also indicated that its report that

> ά*Because the procedures performed do not constitute either an audit or a review made in accordance with the generally accepted auditing standards in India, we do not express any assurance on the allocation of the fixed assets between Aeronautical and Non-Aeronautical as on 31 March 2011.*έ

4.12 It had also stated that:

"Had we performed additional procedures, an audit or a review in relation to the basis of allocation of fixed assets between Aeronautical and Non-Aeronautical, other matters might have come to our attention that [illegible]

4.13 The Authority understands that this is a standard paragraph to indicate that the auditor has not performed an Independent audit on the stated subject.

4.14 The Authority has also gone through the report of the auditors on segregation of assets and notes that the auditors appear to have merely carried out a check of the principles / methodology already established by BIAL for asset and cost allocation and have only validated the same with the financials and not carried out any independent study to classify the assets between Aeronautical and Non-Aeronautical Services.

4.15 The Authority also notes that in relation to segregation of expenditure also, the auditors have not carried out any evaluation on the estimate of the percentages allocable to Aeronautical and Non-Aeronautical services that were presented to it by BIAL.

4.16 Hence, w[illegible] *appointed KPMG, our Statutory Auditor to provide the revised classification of assets and expenses into Aeronautical and Non-Aeronautical,* the Authority notes that the scope of work performed by the auditors is not to carry out a detailed [illegible] of assets and expenditure but [illegible] restricted one of validating the numbers based on the basis provided by BIAL.

4.17 The Authority also notes that the cost allocation ratios estimated by the Management have undergone a change within a period of 4 months (from April 2013 when BIAL made a detailed [illegible] order dated February 2013). BIAL has stated that they [illegible] have benefited by the approach of the Authority in respect of asset allocation of DIAL and MIAL. The Authority notes however that the Asset allocation in respect of DIAL and MIAL as indicated in the final orders was available on 24th April 2012 (DIAL) and 15th January 2013 (MIAL). At any rate, BIAL has given its asset allocation between Aeronautical and Non-Aeronautical assets generally on the basis of area (apart from common use or dual use assets) and that the allocation between Aeronautical and Non-Aeronautical assets (in terms of capital expenditure) is worked out as around 91% : 9%.

4.18 The Authority would adopt the areas occupied by Aeronautical and Non-Aeronautical activities for the purposes of allocation of assets between Aeronautical and Non-Aeronautical and give similar treatment as appropriate to such areas as can be considered to be used for both Aeronautical and Non Aeronautical purposes. Based on this general approach, the Authority and the circumstances in case of BIAL, the Authority has computed the allocation between Aeronautical and Non-Aeronautical assets as indicated in Table 7

4.19 From the submissions made by BIAL the Authority notes that the ratio of Aeronautical Area:

Non-Aeronautical area in the initial terminal building as submitted by BIAL works out to 82.54%:17.46% (45521 sq. m under Aeronautical Area and 9627 sq. m under Non-Aeronautical Area).

4.20 The Authority noted that total asset cost of Rs. 12 Crore has been incurred and capitalised by . L ! [NJŜ ƒ Ɨ ű ƛ ŷ ∃ ű ƌ ǿ Ƙ Ɨ ű ƛ ű Ŏ Ɨ ƒ ƒ Ş Ř It was noted that these are ± ƛ ƒ ƒ Ɨ ∃ towards warehousing / office facilities provided by BIAL to various cargo related entities and is not a part of the Cargo handling process as is defined in AERA Act. Hence, costs incurred in creating this Ŧ Ɨ Ŏ ƛ ƒ ƛ ű è ƛ ă LJNJ ƌ LJ ƌ ă Ŝ Ř ű ƌ -ƌ Ŝ NJ Ɖ ƴ Ƴ dz ű ƛ Ř Ŝ NJ Ŝ Ř ă Ŝ NJ Ǿ NJ Ŏ ƒ Ŝ Ɨ ă ű income that is being derived therefrom.

Information Communication Technology (ICT) Assets

4.21 The Authority notes that there are two categories of ICT Assets provided by BIAL ς one within the Terminal Building and the other as part of the Common Ɨ ă ă Ŝ ű ă Other Buildings, ά ! ă ă Ŝ ű ă έ.

4.22 The Authority noted that capital expenditure relating to ICT related assets within the Terminal Building which were incurred by BIAL largely relate to facilities provided to the Airlines and passengers. The capital expenditure incurred towards ICT assets are proposed to be considered towards Aeronautical Services and the income earned by BIAL from such ICT related activities are proposed to be treated as Aeronautical revenues.

4.23 L / ¢ ! ă ă Ŝ ű ă ű Ƙ Ɨ ű Ɨ NJ Ŝ LJ Ɨ NJ ű ƌ Ŧ ά h ű Ƙ Ŝ NJ . dz ƛ ƒ Ř ƛ ŷ ∃ ă the Common assets and allocated between Aeronautical services and Non-Aeronautical services in the ratio of Aeronautical Area and Non-Aeronautical Area in the Terminal building.

4.24 The Authority noted that a cost of Rs. 3.76 Crore has been incurred towards Fuel Farm assets which are proposed to be treated as assets created for Aeronautical services.

4.25 Accordingly, based on the above details, the ratio of Opening RAB between Aeronautical Assets and Non-Aeronautical assets is as detailed below:

Table 7: Recomputed allocation between Aeronautical assets and Non-Aeronautical assets by the Authority ς Rs. Crore

Asset Category	Description	Total opening RAB	Aero	Non-Aero
Operational Area Assets	Runway, Taxiway, Apron etc	495.59	495.59	-
Fuel Farm Assets	Assets created for Fuel Farm	3.41	3.41	-
Cargo Village Assets	Assets of the Cargo Warehouse facility created	10.87	-	10.87
ICT Assets in Terminal Building	Information, Communication, Technology assets in Terminal Building	99.07	99.07	-

Asset Category	Description	Total opening RAB	Aero	Non-Aero
Other Assets	Assets in Passenger Terminal Building, Other Assets in Landside, Roads, Substation etc	986.76	814.50	172.26
TOTAL		1,595.69	1,412.57	183.12
Overall ratio computed by the Authority			88.52%	11.48%
Asset allocation considered by BIAL		1595.69	1447.22	148.47

4.26 The Authority notes that BIAL has considered a ratio of 90.70%:9.30% for allocation of assets. However the Authority has computed the Aeronautical RAB as detailed in Para 4.25 above. This has resulted in a reduction of Rs. 34.65 Crore from the Opening Aeronautical RAB proposed by BIAL. The Authority proposes to adjust Rs. 34.65 Crore excess allocated to Aeronautical Assets by reallocating the value of assets proportionately across the different asset categories of the Opening RAB.

4.27 With respect to Terminal 1 Expansion area (T1A), the Authority notes that according to BIAL, the additional Aeronautical Area constructed for Terminal 1 Expansion is 54810 sq. m whereas the additional Non-Aero area constructed is 7684 sq. m and additional common area is 22436 sq. m totalling to additional constructed area of 84,930 sq. m. This results in a ratio of 87.70%:12.30% for Terminal 1A Area between Aeronautical and Non-Aeronautical areas. The Authority proposes to consider this ratio in allocation of T1A cost between Aeronautical Assets and Non-Aeronautical Assets, for the present, for consideration under additions to RAB. BIAL shall provide year-wise audited space allocation with the details of allotment for concessionaires and accordingly the asset allocation for Aeronautical RAB is likely to vary. This will be trued up at the time of determination of Aeronautical Tariffs for the next control period.

4.28 With respect to the allocation of Operating Expenditure into those relating to Aeronautical Services and Non-Aeronautical Services, BIAL, during the meeting on 19th December 2013 clarified that the costs are identified separately for each expenditure as Aeronautical and Non-Aeronautical, based on the cost centres defined in its Financial Reporting system except for few categories of personnel costs which are considered common and allocated between Aeronautical and Non-Aeronautical. However the detailed break-up of the costs identified as towards Aeronautical services and Non-Aeronautical services requested for from BIAL is still awaited. For the purpose of this Consultation Paper, the Authority proposes to adopt the expenditure allocation ratio as proposed by BIAL.

4.29 As stated in Consultation Paper No. 14/ 2013-14 dated 26th June 2013, the Authority proposes to commission an independent study to assess the reasonableness of the asset allocation between Aeronautical and Non-Aeronautical Assets and to consider the conclusions thereof at the time of determination of Aeronautical Tariff in the next control period.

Proposal No 2. Regarding Asset and Expenditure Allocation (Aeronautical / Non Aeronautical)

a Based on the material before it and its review, the Authority proposes

i) To consider the revised allocation of assets between Aeronautical and Non-Aeronautical Assets of Opening RAB as detailed in Table 7.

ii) To consider the revised allocation of costs relating to Terminal 1 expansion between Aeronautical Assets and Non Aeronautical Assets as detailed in Para 4.27 above.

iii) To consider the revised allocation of expenditure as submitted by BIAL as per Table 6 for computation of ARR for the current control period.

iv) To commission an independent study to assess the reasonableness of the asset allocation submitted by BIAL.

Truing up Proposal No 1. Truing up for Proposal No 2

a) Based on the material before it and its review, the Authority proposes

i. True up the allocation of assets between Aeronautical and Non-Aeronautical services based on the conclusions of the study at the time of the aeronautical tariff determination in the next control period as may be relevant.

ii. True up the asset allocation ratio each year within the control LJŜNJƛ ƚŘ ō ŀ ă Ŝ Ř ƚ ƴ ű Ḱ Ŝ ŀ dzŘ ƛ ű ƚNJΩ ă Ŏ ŜNJ to be provided by BIAL, at the time of determination of Aeronautical Tariffs for the next control period.

iii. True up the allocation of expenditure, between Aeronautical and Non-Aeronautical services based on cost accounting principles.

5 Future Capital Expenditure including General Capital Expenditure

(a) BIAL's Submission on Future Capital Expenditure and Authority's Proposal in Consultation Paper No. 14/2013-14 dated 26th June 2013

5.1 BIAL had, at the time of its earlier MYTP 2012 submissions, detailed the list of Projects proposed to be executed during the control period and had provided a note on such Projects. BIAL had also submitted the details of Capital Expenditure proposed to be incurred for Maintenance Capital Expenditure. Based on the borrowing eligibility, BIAL had also projected the financing pattern for the said expenditure.

5.2 The Authority had examined the submissions made by BIAL and had detailed the Capital Expenditure proposed to be considered as part of RAB in Table 21 of the Consultation Paper No. 14 dated 26th June 2013, which is reproduced below for reference:

Table 8: Table 21 of Consultation Paper No. 14/2013-14 - Details of Capital Expenditure Projects proposed to be Capitalised and thus added to RAB in the current control period

Project	Date of Capitalisation	Basic Cost and charges	Financing allowance	Total cost
Other Projects	31-Mar-14	63.10	20.34	83.44
Apron Extension	31-Mar-14	118.38	24.46	142.84
T01 Expansion	30-Sep-13	1397.98	147.09	1545.07
Expansion Projects Capitalised				1771.35
Maintenance Capex Projects	31st March 2012	15.43	0.00	15.43
	31st March 2013	23.96	0.00	23.96
	31st March 2014	235.80	0.00	235.80
	31st March 2015	96.72	0.00	96.72
	31st March 2016	61.68	0.00	61.68
Maintenance Capital Expenditure				433.59
Total Capitalisation		2013.05	191.89	2204.94

(b) BIAL's MYTP 2013 submission on Future Capital Expenditure

5.3 BIAL has, in its recent submissions made in August 2013, considered the Capital Expenditure largely in line with the submission made by it earlier, except for the changes detailed below:

5.3.1 BIAL has taken the actual costs incurred upto March 2013 as per the audited accounts.

5.3.2 BIAL has also broken down the proposed capital expenditure to be incurred and Capitalised and hence added to RAB, in the current control period, into different categories for Terminal 1 expansion as compared to a single asset category that it had considered earlier as detailed below:

Table 9: Asset category-wise break-up of Terminal 1 Expansion project

Asset Category	Depreciation Rate
Building	3.34%
Plant & Machinery	10.34%
Furniture & Fixtures	6.33%
Safety Equipments	16.21%
Information, Communication, Technology costs	16.21%

5.4 The Authority notes that BIAL has given the above break-up on account of the different depreciation rates that BIAL has applied to the different components.

5.5 Revised Future Capital Expenditure proposed during the Current Control Period to be added to the RAB, as per the MYTP 2013 submissions made by BIAL are as under:

Table 10: Revised Details of Capital Expenditure Projects proposed to be added to RAB during the current Control period as per BIAL – Rs. Crore

Project	Date of Capitalisation	Basic Cost and charges	Financing allowance	Total Cost (MYTP 2013)	Total cost (CP 14/ 2013-14)
Other Projects i.e Miscellaneous	31-Mar-14	37.63	12.56	50.19	83.44
Apron Extension	31-Mar-14	111.38	24.87	136.25	142.84
T1A Expansion	31-Mar-14 *	1339.21	186.67	1525.88	1545.07
Expansion Projects Capitalised (A)				1712.32	1771.35
Maintenance Capex Projects	31st March 2012	15.43		15.43	15.43
	31st March 2013	22.52		22.52	23.96
	31st March 2014	235.64		235.64	235.80
	31st March 2015	96.97		96.97	96.72
	31st March 2016	61.67		61.67	61.68
Maintenance Capital Expenditure (B)				432.22	433.59
Total Capitalisation				2144.54	2204.94
* Earlier proposed to be capitalised by 30th September 2013					

5.6 BIAL has, further to subsequent queries raised by the Authority, provided the current status of the Projects, Board approvals available and the cost estimates available for the works proposed to be capitalised during the current control period. In accordance with the Airport Guidelines, BIAL has also provided details of additional Projects (like Terminal 2 – Phase 1 as well as second Runway with associated airfield development etc.) proposed to be commenced during this control period and completed in the next control period.

(c) Authority's Examination of BIAL's Submission on Future Capital Expenditure

5.7 The Authority notes that BIAL has re-estimated and fine-tuned its earlier submission of Capital Expenditure leading to a reduction in its Capital expenditure requirements as detailed in

Table 10. Also, BIAL has also broken down the estimated cost of Terminal building into different asset categories having different rates of depreciation as detailed in Para 5.3.2 above.

5.8 To obtain further reconfirmation of the Capital Expenditure and Capital works in Progress proposed by BIAL, the Authority had requested for information and documents from BIAL. BIAL has submitted clarificati ƻ ў ă ű ƻ ! dz ű Ķ ƻ NJ ƛ th October 2013 and made presentation to the Authority on 25th October 2013. Details of clarifications provided by BIAL are separately uploaded for { ű Ͱ ʅ Ŝ Ķ ƻ ƭ Ř Ŝ NJ ă Ω ƛ ў Ŧ ƻ NJ Ƴ Ͱ ű ƛ ƻ ў

5.9 On review of the details provided by BIAL, Authority had requested for further clarifications on 5th November 2013 for which BIAL has responded with details on 2nd December 2013. These are also dzLJ ƭ ƻ Ͱ Ř Ŝ Ř Ŧ ƻ NJ { ű Ͱ ʅ Ŝ Ķ ƻ ƭ Ř Ŝ NJ ă Ω ƛ ў Ŧ ƻ NJ Ƴ tion. The Authority had subsequently carried out site visit and discussions with BIAL on 18th and 19th December 2013 and sought additional clarifications on 20th December 2013.

5.10 BIAL had submitted additional clarifications vide letter dated 17th January 2014. This is also dzLJ ƭ ƻ Ͱ Ř Ŝ Ř Ŧ ƻ NJ { ű Ͱ ʅ Ŝ Ķ ƻ ƭ Ř Ŝ NJ ă Ω ƛ ў Ŧ ƻ NJ Ƴ Ͱ ű ƛ ƻ ў Φ

5.11 The Authority has examined the Future Capital Expenditure into 2 categories given below.

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5.11.1 Category 1 - Projects / assets proposed to be capitalised during the current control period

5.11.2 Category 2 - Projects for which works would commence during the current control period and would remain as Works in Progress and would be capitalised in the next control period.

<u>Category 1 - Projects Proposed to be capitalised in the current control period.</u>

5.12 Terminal 1 expansion (T1A) Project, proposed to be capitalised in 2013-14 : The existing Terminal-1 building which is fully operational has an area of 73,627 Sq. Mtrs. Terminal-1 expansion design capacity, in terms of design through put for T1A, has not been separately given, however, in . L ! [Ω ă ă dz ō Ƴ ƛ ă ă ƛ ƻ ў ă ƛ T1A is complete (and the total Terminal-1 plus Ͱ Ŧ ű Ŝ NJ Terminal-1 expansion area works out to 158,557 Sq. Mtrs (Stated earlier by BIAL as 150,556 Sq. Mtrs.), the passenger throughput would be in the range of 20 million passengers.

5.13 The Authority, therefore, infers that after the expansion of Terminal-1 is complete, the BIAL would be able to handle upto 20 million passengers. It is currently handling about 13 million passengers and according to its forecast, 20 million passenger traffic per annum would be reached by 2017-18. As far as traffic forecast is concerned, BIAL has stated that it has commissioned a traffic forecast study by Landrum & Brown in 2010 which was followed by an updated study carried out by Landrum & Brown in February 2013.

5.14 The Authority notes that the total area of T1 at 158557 sq. m appears reasonable for a proposed passenger through put of 20 million per annum, considering the standard IMG norms.

5.15 The Authority noted that the Security Hold area has increased from 6587 sq. m in the earlier Terminal to 26324 sq. m in the expanded terminal ς an increase of 4 times as compared to the increase in overall terminal area of 2 times. On enquiry, BIAL had informed that the existing Security hold area was inadequate to handle the passenger throughput of 12 million passengers per annum and had to be increased substantially to facilitate the total estimated passenger through put of 20 million passengers for the total Terminal 1 expanded capacity.

5.16 The Authority notes that the Project cost for Terminal 1 expansion 1 and related works was approved by the Board of BIAL for a value of Rs. 1459 Crore and the actual amount spent (including interest costs etc.) as submitted by BIAL vide its submission dated 2nd December 2013 was Rs. 1547 Crore. The Authority notes that BIAL had earlier in its MYTP 2012 and MYTP 2013 submissions stated that the T1A area was 76,929 sq. m which BIAL has in its submission dated 2nd December 2013 stated to be about 85,000 sq. m. Details of costs incurred for the Project as given by BIAL is as given below.

Summary of Terminal Expansion Project Cost		All amounts in crores
DESCRIBTION	APPROVED COST	ACTUAL COST
Terminal Expansion Project		
Terminal Building (expansion)	1055.5	1105.50
Enabling & terminal modifications	32.0	26.70
External roof works	128.10	129.70
Airside projects	42.00	48.25
Landside and landscape projects	25.00	16.90
New VVIP terminal	12.00	14.80
Master plan Projects	25.00	13.00
IEDC & Administrative costs	159.40	192.50
TOTAL Projects Cost	1479	1547

5.17 The Authority notes that BIAL has justified the total cost of this Project by computing the cost per sq. ft. at Rs. 11744 which BIAL states to be in line with other similar international airports, as per the note provided by BIAL as given below:

ά Terminal building footprint has increased to 85000 sq. m during the detailed design stage. The terminal building scope also includes new utility buildings. Thus the cost/sqft for the terminal building scope amounts to 11744/sqft, as provided below, which is in line with other similar international airports.

Terminal Building (expansion)	
Terminal Area	*85000*

NEC(New Energy Centre)	*1091*
NCP(New Chiller Plant)	*1392*
Total area in sqm	*87483*
Cost of Terminal/sqft	*11744*

5.18 The Authority notes that ŀ Ǒ Ǒ ƻ NJ Ř ƛ ʎ Ǝ ű ƻ . L ! [Ω ǎ[rd] December 2013, the ǎ dz ō Ƴ ƛ ǎ ǎ Terminal Building footprint has increased from 76,929 Sq. Mtrs. to 85,000 Sq. Mtrs. During the site visit, BIAL indicated that the footprint is the plinth area of the Terminal enclosure and that part of the roof that is overhanging beyond the Terminal enclosure is not included in 85,000 Sq. Mtrs. The Authority notes that the table referred in Para 5.16 above Ƴ Ŝ ʎ ű ƛ ƻ ʎ ǎ ŀ ʎ ƛ ű Ŝ ƞ ǘ ƻ Ŧ Ǒ ƻ NJ ƻ ƻ Ŧ ǿ ƻ NJ ƫ ǎ ɛ Ǿ ŀ f dz Ŝ Ř ŀ ű w ǎ Φ м н ф Φ т Ǒ NJ ƻ NJ Ŝ Φ ¢ Ḱ Ŝ ! dz ű overhangs beyond the Terminal enclosure. BIAL has however, considered the cost of Rs. 1105.5 Crore as the cost of the T1A to justify the cost of construction per sq. ft. at Rs. 11744/-.

5.19 BIAL has provided vide letter dated 17th January 2014 the estimates prepared by their consultants for the T1A project and the T1A layout plan details. The Authority accordingly in this Consultation Paper proposes to consider the T1A cost as per the details provided by BIAL.

5.20 The Authority notes that an amount of Rs. 14.80 Crore has been incurred on the VVIP Terminal building as part of the T1A Project. The Authority notes that there was an earlier VVIP terminal which had to be demolished in order to facilitate Terminal -1 expansion project.

5.21 The Authority also notes that BIAL has included Security related capital expenditure to the tune of Rs. 35 Crore in the T1A project which BIAL has incurred in line with MoCA directive issued on 16th April 2010.

5.22 The Authority has noted that the cost of construction of T1A and associated works appear to be high compared with the indicative past cost of construction of other Airports Terminals at Chennai, Kolkata, Cochin, Goa etc. The Authority is cognizant of the fact that the costs of construction depends on the scope of the work including specifications, design etc. Secondly, the Authority notes that in these airports constructed by AAI (except Cochin which is a private Airport), the costing was generally based on the engineering cost estimation principles as indicated in CPWD that are available in Public domain. The Authority also notes that the cost of construction in other airports as mentioned above, can be taken as indicative costs and these alone cannot be regarded as a basis or approved norm, to ascertain the reasonability of cost as the same has linkage with the scope of work, specification and design elements of the Project which may vary from airport to airport.

5.23 The Authority notes that the completion cost indicated by BIAL as given in Para 5.16 above is based on the workings of the Engineering Consultant appointed by BIAL and is proposed to be taken as allowable Project cost for determination of aeronautical tariff for the current control period.

5.24 The Authority also notes that in the User consultation process done in the past for T1A (15th July 2011), some of the stakeholders like IATA had sought information whether T1A would impact ¦ 5 C Φ . L ! [K ŀ Ř Impact on UDF will be shared as soon as the regulatory mechanism is finalized. The matter is currently sub-Ƨ dz Ř ƛ Ŏ Ŝ έ Φ Consultation paper has outlined in detail the impact of the expenditure incurred on T1A and the proposals for Aeronautical Tariffs and UDF for BIAL as a whole Φ C NJ ƻ Y ű K Ŝ Ŏ ƻ ƴ Ŏ ƒ dz Ř ƛ ƴ Ǝ LJ ŀ NJ ű ƻ Ŧ ű K Ŝ Y ƛ ƴ dz ű consultation (dated 15th July 2011) the Authority also notes that as far as further expansion (beyond ¢ м ! ú ƛ ƴ ŀ NJ Ŝ ŀ ă ƒ ƛ ʅ Ŝ { Ŝ Ŏ ƻ ƴ Ř w dz ƴ ǿ ŀ è ƻ NJ ¢ Ŝ NJ Y ƛ ƴ ŀ ƒ н part in the consultation process for development of Terminal-2 right from the need identification stage. BIAL team welcomed the same and also added that the Inputs from IATA bring lot of value to ƻ dz NJ ű K ƛ ƴ ʅ ƛ ƴ Ǝ LJ NJ ƻ Ŏ Ŝ ă ă ŀ ƴ Ř ǿ ƛ ƒ ƒ ō Ŝ Y ƻ NJ Ŝ ű K ŀ ƴ K ŀ LJL Authority thus expects that BIAL will take forward this process.

5.25 Maintenance Capital Expenditure: The Authority notes that a significantly large sum of Rs. 432 Crore is proposed to be spent towards Maintenance Capital expenditure during the current control period of which only Rs. 38 Crore (approx.) has been spent till 2012-13 and capitalised. The Authority notes that the cost of Maintenance Capital expenditure proposed includes Rs. 35 Crore towards development of a retail plaza and development of Forecourts worth Rs. 80 Crore.

5.26 During discussions with the Authority on 19th December 2013, subsequent to a query, BIAL informed that while Rs. 235 Crore of Maintenance Capital expenditure was proposed to be incurred in 2013-14, works relating to the same have not commenced till December 2013. BIAL informed that these costs will be spent in the year 2014-15 instead of 2013-14. The Authority had also requested BIAL to review the maintenance capital expenditure projections provided by it and provide complete details of the key costs listed in the schedule provided to the Authority.

5.27 The Authority also noted that a significant amount of approx. Rs. 42 Crore has been proposed towards strengthening Airfield pavement as part of Maintenance Capital Expenditure. The Authority notes that this should have been carried out properly as part of the initial project itself.

5.28 The Authority proposes to consider the Maintenance Capital expenditure proposed by BIAL (including shifting the capitalisation of Maintenance Capital expenditure work proposed for 2013-14 to 2014-15) for the purpose of this Consultation Paper.

5.29 West Apron Extension proposed to be capitalised in 2013-14: The Authority noted that West Apron extension cost of Rs. 136 Crore is proposed to be added to the RAB, in addition to Airside Works of Rs. 48.25 Crore considered as part of Terminal-1 expansion works detailed in Para 5.16 above.

5.30 The Authority has also asked BIAL to provide a layout plan and marking of the Apron area originally constructed, construction now said to have been carried out amounting to Rs. 136 Crore and included under Apron extension and also the additional construction made under the head [illegible] .25 Crore which has been included under the Terminal 1 expansion related costs. Some of these details have been made available by BIAL. The Authority, in this Consultation Paper proposes to consider the Apron Extension cost of Rs. 136 Crore for the purpose of additions to RAB during the Control Period in addition to Rs. 48.25 Crore grouped under Terminal-1 Expansion work. Appropriate treatment, as may be required, will be given, on receipt of cost particulars from BIAL, at the time of Order for determination of Aeronautical tariffs for the current control period.

5.31 To summarise, the Authority notes that large capital expenditure has already been incurred (on items like T1A) and is proposed to be added to RAB during the current control period. The Authority proposes to consider the capital expenditure additions proposed by BIAL. However, in order to ascertain the reasonableness of the cost of construction of Terminal expansion and associated works like Apron, Road Landscaping and other costs proposed to be capitalised during the current control period, on the basis of well-established norms and guidelines, the Authority proposes to commission a study to evaluate the reasonableness and appropriateness of the costs incurred by BIAL that would be required to be added to the RAB during the current control period and to carry out adjustments / disallowances if any, by truing up the RAB and Aeronautical Tariff computations accordingly, at the time of determination of Aeronautical Tariffs for the next control period.

<u>Category 2 - Future Expansion (Proposed) viz. Terminal 2, Second Runway and other associated works proposed to be commenced and some costs incurred during the current control period, carried as Work-in-progress at the end of the current control period and capitalised in the next control period</u>

5.32 The Authority had reviewed the Projects for which works are proposed to be commenced and amounts incurred which will remain in Work-in-progress as of 31st March 2016 (at the end of the control period) in Paragraph 9.7,Table 18 at Page 63 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013. The Authority has stated therein that the cost carried as Capital Works in Progress in the books of BIAL at the end of the first control period was estimated at Rs. 2052.98 Crore. The Authority had reviewed this in detail and had sought additional information / documents and has carried out discussions with BIAL on the same.

5.33 Overview of the Projects for which works are proposed and the costs proposed to be incurred in the current control period (apart from the expenses proposed to be capitalised) and the total cost proposed to be capitalised in the next control period Σ l· ă LJŜNJ . L ! [Ωă a ¸ ¢ t н is as given below:

Table 11: Details of costs for Terminal 2, Runway 2 and related Projects as submitted by BIAL ςMYTP 2013
Rs. Crore

Project	Amount spend (2014-15 to 2015-16)	Interest cost (2014-15 to 2015-16)	Amount spend (2016-17 to 2017-18)	Interest cost (2016-17 to 2017-18)	Cost capitalised in 2017-18	WIP as of 31st March 2016
	A	B	C	D	(A+B+C+D)	(A+B)
Second Terminal Phase 1	951.56	63.54	3014.00	468.90	4497.99	1015.09
Site Preparatory works	151.00	8.76	768.00	103.81	1031.57	159.76
Runway	89.00	5.16	454.00	61.37	609.53	94.16
Parallel taxiways	164.00	9.51	871.00	117.73	1162.25	173.51
Cross Connect taxiway	59.00	3.42	298.00	40.28	400.70	62.42
Apron	225.00	13.05	1341.00	181.26	1760.31	238.05
Existing Runway enhancements	25.00	1.45	138.00	18.65	183.10	26.45
Airside Development Others	64.00	3.71	328.00	44.33	440.05	67.71
Forecourts, Roadways and Landside Development	170.28	11.37	537.85	83.78	803.29	181.65
TOTAL	1898.84	119.99	7749.85	1120.11	10888.80	2018.83

5.34 From Table 11 2Ŧ . L ! [Ωă ădzōΥƛăăƛ, it can be noted that an amount Ŧ a ¸ ¢ t of Rs. 2019 Crore would be incurred during the current control period and is expected to be shown as Capital Works in Progress at the end of the current control period. Additionally, Capital works amounting to Rs. 8870 Crore would be undertaken during the next control period resulting in total capital expenditure on Terminal 2 ςPhase 1, Second Runway etc. of Rs. 10,889 Crore into the RAB in the next control period. The Authority notes that this amount is inclusive of the capitalised interest during construction.

5.35 The Authority has noted the Capital expenditure Projects proposed to be carried out. Its initial observations are summarized below:

5.36 Terminal 2 BIAL has indicated that the expansion of T-2 is proposed to comprise of two phases, namely, Terminal T-2 Phase-1 (to cater to additional 20 million passengers) and Terminal T-2 Phase-2 (to cater to additional 15 million passengers). Hence, once the Terminal-2 is complete (both Phase-1 and Phase-2), BIAL expects to be able to handle passenger throughput as under:

Terminal T-1 (including T1A) : 20 million passengers

Terminal T-2 (Phase-1) : Additional 20 million passengers making the total capacity 40 million passengers

Terminal T-2 (Phase-2) : Additional 15 million passengers making the total capacity 55 million passengers

5.36.1 BIAL has indicated that the works for Terminal 2 ς Phase 1 would commence in the current control period as detailed above. BIAL had proposed incurring construction of Phase 1 of Terminal 2 from 2014-15. BIAL had submitted that it proposes to construct a total area of 2,60,000 sq. m for a total passenger capacity of 20 million passengers per annum. The Authority ƴ ƻ ű Ŝ ă ű K Ͱ ű W Ͱ Ŏ ƻ ō Ω ă Ƴ Ͱ ă ű Ŝ NJ LJ ƒ Ͱ ƴ Ŏ ƻ ƴ ă ƛ Ř Ŝ NJ Ŝ Ř Ͱ LJ ƒ Ƴ ƛ ƒ ƒ ƛ ƻ ƴ LJ Ͱ ă ă Ŝ ƴ ∃ Ŝ NJ ă LJ Ŝ NJ Ͱ ƴ ƴ dz Ƴ Φ ¢ K Ŝ ! dz ű K ƻ NJ ƛ ű è Ͱ when the traffic forecasts projected the Airport reaching a passenger through put of 20 million per annum in 2015-16 and an alternate proposal of Terminal 2 ς Phase 1 was proposed by Jacobs for 20 million capacity to ensure 65% utilisation of Terminal 2 - Phase 1 at the time of starting the said Terminal operations.

5.36.2 BIAL has stated that only block estimates of costs are available for the Project currently, as has been provided by its consultant ς Jacobs and detailed estimates are not available. BIAL, in its clarifications dated 2nd December 2013 has also stated that:

ά It is important to note that the Master Plan phases for all facilities including T2 and rough order-of-magnitude (ROM) costs were developed as a guide for future development. These are envisaged as an indicative program subject to future refinement for each major project as detail design development and detailed project NJ Ŝ LJ ƻ NJ ű ă ó 5 ƫ w Ω ă ű *are developed.*

The development of the NSPR, associated facilities and the -phase T2 development are expected to be adjusted to volatile and dynamic nature of Indian aviation industry during the detail design stages.

In doing so, there is likely to be a ±20% change (and in some cases even higher ranges) in terms of terminal or airfield size and costs during this period. This is an expected norm for the industry at a master planning level of analysis where the Master Plan typically outlines facilities requirements and sizing at a macro level with significant refinements and value engineering expected during detail design and project tender stage.

BIAL will engage stakeholders for the Design development stage and Detailed Design stage consultations as indicated in the planning program for Terminal 2 and the second runway project. During these stages BIAL will firm the scope of project, sizing of various facilities, construction phasing etc. along with the stakeholders.

Below are the indicative planning schedules for Terminal 2 and Second Runway project as on date. These are subjected to change further when project scope and construct methodology are determiŜ Ř X ἑ

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optimized and derived through a process of schematic design, detailed design, DPR and followed by competitive tendering process. About 20% variation in actual costs expected

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5.36.3 At present, after expansion of Terminal 1 (called Terminal T1A) the Terminal capacities and expected passenger through put are as follows - Terminal T1 has an area of 73,667 sq. m and was actually handling passenger through put of around 13 million (2012-13). This terminal was in a congested state which necessitated T1A. The expanded Terminal (T1A) has an area of about 85000 sq. m and together with T1 would have a total area of 158,557 sq. m capable of handling passenger through put of around 20 million by 2017-18 according to the estimates of BIAL.

5.36.4 The Authority notes that BIAL has vide its letter dated 2nd December 2013 revised its area estimate of Terminal 2 ς Phase 1 from initial submission of October 2013 of 2.60 lacs sq. m to 2,31,900 sq. m ς a reduction of 28,100 sq. m and has also reduced its cost estimate (excluding interest) from Rs. 3965 Crore to Rs. 3470 Crore (a reduction of Rs. 495 Crore). In a further submission, BIAL has stated that for master plan phases of all facilities including T2, a Rough order of magnitude costs have been developed as a guide for future development. It has also ă ű ŀ ű Ŝ Ř there is likely to be a +/- 20% change (and in some cases even higher ranges) in terms of terminal or airfield size and costs during this period X ἑ Φ

5.36.5 The Authority expects that BIAL would have more clarity in these estimates when according to BIAL, the work for T2, Runway 2 and associated infrastructure works need to be commenced in very near future. If these estimates were really to be so tentative and hence purely indicative, the Authority may indeed be inclined not to take these figures into consideration for the current control period. However, the Authority is also cognizant of the need for matching the airport capacity with growing passenger needs. Hence, the Authority has noted the above submissions of BIAL and expects BIAL to work out the Terminal capacity in accordance with IMG norms. (Refer Para 5.44 below). Also BIAL has been indicating that its cost estimates are ō ŀ ă Ŝ Ř ƨ ƴ ǿ K ŀ ű . L ! [Ŏ ŀ ſ ſ ă ά L ƴ ű ŜNJ ƴ ŀ ű ƛ ƨ ƴ ŀ ſ { ű ŀ ƴ Ř Authority however notes that BIAL has not indicated the specifications of such International standard and further whether they are in public domain for reference. The Authority expects BIAL to indicate the nature and scope of the International standards that it feels are necessary to be adopted in respect of the proposed construction.

5.36.6 For the integrated Terminal T1 as well as T1A, BIAL had given the peak hour passenger ó á t through put at 6540. It also had given the norm of around 25 sq. m per passenger. This works out to 1.63 lakh sq. m of terminal area which broadly corresponds to the total area now available of 158,557 sq. m capable of handling, as mentioned above, a passenger through put of around 20 million per annum by 2017-18. If the same numbers viz. 6540 as PHP and 25 sq. m per passenger are taken for the additional Terminal viz T2 ςPhase 1, an area of 1.63 lakh sq. m would appear to be appropriate for T2 ςPhase 1 to cater to additional 20 million passengers per annum (which according to BIAL would be the additional passenger throughput by 2026-27 when the total passenger through put is estimated to be around 40 million). The Authority has also noted that accorŘƛƴƎ ű2 .L![Ωă 2ǿƴ ă for handling additional 10 million Ωă Ŝă passengers (Phase 2 of Terminal 2) would require additional area of around 75,000 sq. m. This also corresponds to a requirement of around 1.5 lakh sq. m to cater for 20 million passengers per annum.

5.36.7 The Authority notes that according to BIAL it has carried out stakeholder consultations on the Master Plan update and traffic forecasts stating as under:

áΦΦΦLƴ űKŜ Yŀăű ŜNJ LJ ƒ ŀƴ March 2011, BIAL has explained !ƛNJƒƛƴŜ terminal options that Jacobs has evaluated at Master Plan level for Terminal 2. This demonstrated the alternatives for Terminal 2, feasible in the land use earmarked for ŘŜǾŜƒ2LJYŜƴűΦ ¢KŜ ¢ŜNJYƛƴ were presented and proposed dzŀűƛ2ƴ ăŎKŜYŜ ŦƏNJ ¢ŜNJYƛƴŀƒ н ŀă LJŜNJ aŀűŜNJ LJƒŀƴ ǿŀă

However, detailed discussion and consultations with stakeholders on the Options, detailed design discussions, detailed cost estimates etc. have not been carried out by BIAL yet and that these do not conform to the procedure indicated in Airport Guidelines.

5.37 Airfield Development- Runway and related works The Authority recognizes that having a second runway is technically required for an international airport which is likely to be of substantial size in excess of 20 million passengers or so.

5.37.1 Details of the Airfield development activities proposed by BIAL, from its submissions dated 15th October 2013 are as given below:

áAirfield Development:

The airfield development proposes phased expansion of the runways, aprons and taxiways, including rectification and up gradation of the existing airfield. The new runway, related taxiways and apron airfield will provide the required capacity beyond 2017/18.

Phase 1

¶ *Runway on south*

ω Code F compliant, 4000m long, overall width of 75m, CAT III B compliant Airfield ground Lighting System

¶ Taxiways:

- One full parallel taxiway, 4000m long 6: overall width of 60m wide including paved shoulders
- Parallel taxiway of approximately 2000m 6: overall width of 60m Wide including paved shoulders
- Two cross field Taxiways of 1900m long and 60m overall width, to connect to the Existing Runway
- New Additional parallel taxiways both North and South of the future T2 aprons,
- 6 New Entry and Exit taxiways
- 2 new Rapid Exit Taxiways in the Northern Airfield.
- GSE Tunnels 2 lane wide and 280m long, across the East Cross field Taxiways.
- Apron of 11, 28,050sqm (or 87 Contact and Remote stands including all utilities.
- Utilities including power supply, drainage network with retention ponds, Integrated Instrument Landing system and Navigational Aids.
- New ARFF and Airfield Maintenance Buildings of approx. 10000sqm

Phase 2

- Taxiway: Code F compliant, full length 4000rn taxiway, overall width of 60m, parallel to the existing Runway.
- 90deg Entry/Exit Taxiways in the Northern Airfield.
- And remaining portion of the new second parallel taxiway of the South Airfield.

Existing airfield up gradation

- Strengthening and widening of the existing Runway to Code F standards, overall width of 75m.
- Strengthening and widening of the existing taxiways to Code F standards, overall width of 60m.
- Installation of CAT III B compliant Airfield ground lighting system in the Northern Airfield.

o *Up gradation of the existing drainage and utilities network of the Northern Airfield*Ӿ έ

5.37.2 BIAL has indicated that both the runways would be of Code F standard capable of handling A380 aircraft. The Authority, however, finds Ŧ NJ ϩ Ƴ W ŀ Ŏ ϩ ō Ω ă Jacob has ŕ è ű K ŀ ű recommended that the existing runway is to be retained as Code 4E till 2030 and the second new runway with a parallel runway to be of Code F facility and hence had discussed with BIAL on the need to re-work the cost accordingly. BIAL has, vide submission dated 2nd December 2013 responded that it has reworked the cost and there is a reduction of Rs. 93 Crore on account of deferring the Code-F compliance for existing Runway and Taxiway.

5.37.3 Instrument Landing System (ILS): BIAL as proposed CAT-IIIB standard for both the Runways. The Authority notes that having regard to the climatic conditions of Bengaluru, the probability of technical requirement for CAT-IIIB would be low. The Authority discussed this with BIAL representatives on 25th October 2013 who stated that more and more number of flight days in Bengaluru is being affected by fog and there is a need for Cat IIIB compliant lighting system. The Authority, also notes that the difference between the incremental cost of CAT-II and CAT-IIIB is understood to be small. The Repot of M/s Jacob has recommended CAT-IIIB capability for both the runways (instrumental approach capability). The Authority has requested BIAL to revisit the need for CAT-IIIB for both the Runways, putting it before the stakeholders for consultation and subsequent Board approval. The agency responsible for Air Traffic Control (ATC) is the AAI with the support service of MET (Meteorological Service). Hence, any up gradation to CAT-IIIB would need to be dovetailed with corresponding matching capabilities of both AAI as well as MET. Hence, the Authority has requested BIAL to specifically coordinate both with AAI and MET while revisiting the issue of upgrading the ILS if required to the proposed CAT-IIIB for both the Runways.

5.37.4 Parallel Taxiways: BIAL has factored the cost of one (1) additional parallel taxiway for the existing runway, and two (2) parallel taxiways for the proposed new runway, hence, effectively, BIAL has proposed two ό н ύ ű ŀ Ȅ ƛ ǿ ŀ è ă LJ Ŝ NJ NJdz ƴ ǿ ŀ è Φ ŀ Ŝ ƴ Ŏ Ŝ Σ three new taxiways (one parallel taxiway already in existence for the existing runway) constructed now Φ ¢ K Ŝ ! dz ű K ϩ NJ ƛ ű è ƴ ϩ ű Ŝ ă Ŧ NJ ϩ Ƴ a ĸ ă (1) W ŀ Ŏ ϩ ō Ω parallel taxiway for New South Parallel Runway (NSPR) and has considered the requirement of second parallel taxiway for NSPR in 2022-23. M/s Jacob has also indicated passenger throughput of 35 million passengers per year as the trigger point for having the second parallel taxiway for NSPR. ! ă Ŧ ŀ NJ ŀ ă ű K Ŝ . L ! [Ω ă LJNJ ϩ LJ ϩ taxiway for the existing ǿ ƛ ƴ ∃ ϩ ƴ runway 9 ϛн т ƛ ă Ŏ ϩ ƴ Ŏ Ŝ NJ ƴ Ŝ Ř Σ ű K Ŝ ! dz ű K ϩ NJ ƛ ű è K ŀ ă ƴ ϩ ű Ŝ Ř requirement of two parallel taxiways for the existing runway at 20 million passengers per annum and accordingly the Authority has noted that the cost proposed by BIAL for Parallel taxiways include additional taxiway for the existing runway.

5.37.5 Cross Taxiway: BIAL has proposed to have dual (2) cross taxiways connecting existing runway to the proposed new NSPR. M/s Jacob has supported the construction of dual cross field taxiway system.

5.38 Forecourts, Roadways and Landside Development: The Authority notes that an amount of approx. Rs. 800 Crore are proposed to be spent towards Forecourts and Roadside development works, for which no detailed explanations have been provided by BIAL.

5.39 Site Preparatory works (for Second Runway, Taxiway, Apron etc.): The Authority also notes that the cost of site preparatory works is in the region of Rs. 1000 Crore which BIAL has explained is due to the uneven site condition, existence of a large quarry which needs to be filled and a hill which needs to be levelled. The Authority expects that BIAL will prepare detailed estimates based on site measurements as well as well documented reference levels since these would determine the quantum of excavation as well as filling.

5.40 The Authority therefore notes that the design of the Terminal and Airfield development works and estimation of cost are only at a planning level which needs to be fine-tuned and firmed up after evaluation of all possible options and alternatives, doing detailed level analysis and estimation of costs, detailed stakeholder consultations, review of all information by the Board and its approval of the costs. The Authority also notes that detailed discussion and consultations with stakeholders have not been yet carried out by BIAL for the Terminal 2 Phase 1 and Airside development works.

5.41 The Authority also notes that costs for Terminal 2 – Phase 1 and Airside development have been approved by the Board of Directors only at the level of block estimates during the approval of Master Plan update and detailed specific approval of the Board of Directors for scope and the corresponding expenditure outlay for undertaking the work is yet to be obtained.

5.42 On the Capital expenditure likely to be incurred during the current control period, during discussions on 19th December 2013 BIAL was specifically asked to confirm that the costs of the order of Rs. 2000 Crore will actually be incurred during 2014-15 and 2015-16, which BIAL has affirmed.

5.43 To summarise, on Terminal 2, Airside Development and related works, the Authority notes that BIAL has proposed a substantially large sum of capital expenditure requiring to be spent between 2014-15 and 2017-18 of over Rs. 10,000 Crore. These are currently only block estimates which need to have a detailed stakeholder consultation, detailed analysis and review by the Board of BIAL, detailed cost estimates to be drawn up and then the costs put up for approval.

5.44 While the Authority would consider these costs as indicative, these should not be construed as having been in any case considered as reasonable and appropriate by the Authority at this stage. The Authority notes that the proposed capital works in connection with Second Runway, Second

Terminal (T2) as well as other associated costs appurtenant thereto would not be capitalised during the current control period. These costs thus would not have any impact on the tariff determination during the current control period. However, the Authority expects BIAL to finalise their future project works (Second Runway, Terminal T2 etc.) keeping in view the following points:

5.44.1 Cost estimation - estimating the costs based on well-established principles like drawing up detailed bill of quantities for each element of the work, appropriate costs thereof as would be available in public domain. (One such detailed analysis and procedure of estimating the project cost is available in published schedule of rates of CPWD. CPWD publishes the standard items, its cost (what is called as scheduled items) its applicable rate and its base year. CPWD also publishes the revised cost index to convert the scheduled items rate into a current rate equivalent. Apart from scheduled items, the project may contain some other items which may also need to be executed (what is called market rate items or non-scheduled items) namely Elevators, Escalators, Central Air conditioning plant, Walkalator, Passenger Boarding Bridge (PBB) or other non-scheduled items such as flooring, fittings etc. inside the Terminal building. These are the non-scheduled items for which standardised rates are not available. In such cases, according to CPWD principles, market rate analysis needs to be carried out as per the CPWD procedure to arrive at reasonable cost estimates)

5.44.2 Stakeholder consultation ς Detailed stakeholder consultation to be carried out for the need of the Project for each of the Project Proposed, wherein the stakeholders are given complete details of the Project, detailed scope, design, available alternates and its detailed cost estimates along with basis thereof. (Airport guidelines issued by the Authority indicate the various stages in which the Stakeholder consultation is to be carried out along with the various information to be provided including Project cost estimate, Capital cost, details of Operating expenditure, Forecast of cost and its other impact, Projected impact on the tariff, Projected implications for Airport Operations, Service levels, Providing a Project Information file etc. ςRefer Airport Guidelines)

5.44.3 . 2 l· NJŘ Ω ă on scope, standard of work and the cost of the proposed Project (viz. Terminal 2, Site Preparatory works, Second Runway, Apron, Parallel Taxiway, Cross connect Taxiways, Other Airfield Development works Forecourts, Roadways and Landside Development etc.)

5.45 For the purpose of this Consultation Paper the Authority proposes to consider the following:

5.45.1 For projects proposed to be capitalised in the current control period (Refer Category ς 1 as detailed in Para 5.11.1 above along with its details , consider the estimates provided by BIAL, subject to shifting the maintenance capital expenditure proposed during 2013-14 to 2014-15.

Also the Authority proposes to commission an independent study on the reasonableness of the costs incurred and capitalised by BIAL and to carry out adjustments, if any identified, by truing up the RAB for the current control period at the time of determination of Aeronautical tariffs for the next control period.

5.45.2 For other Projects viz. Category 2 as detailed in Para 5.11.2 above along with its details (other than those detailed in Table 12) for which costs are proposed to be incurred during the current control period and remain as Work in progress at the end of this Control period, to consider the same only as indicative estimates. These have not been included in calculations for determination of Aeronautical Tariffs for this control period as they are not proposed to the capitalised in the current control period.

5.46 Accordingly, the revised capital expenditure proposed to be added to RAB during the current control period as considered by the Authority is as given below:

Table 12: Revised Details of Capital Expenditure Projects proposed to be added to RAB during the current Control period as per Authority ςRs.Crore

Project	Date of Capitalisation	Basic Cost and charges	Financing allowance	Total Cost to be added to RAB
Other Projects i.e Miscellaneous	31-Mar-14	37.63	11.86	49.48
Apron Extension	31-Mar-14	111.35	23.34	134.68
T01 Expansion	31-Mar-14 *	1338.27	173.53	1511.80
Expansion Projects Capitalised (A)				1695.97
Maintenance Capex Projects	31st March 2012	15.43		15.43
	31st March 2013	22.52		22.52
	31st March 2014	0.00		0.00
	31st March 2015	339.58		339.58
	31st March 2016	61.68		61.68
Maintenance Capital Expenditure (B)				439.20
Total Capitalisation				2135.17
Maintenance capital expenditure for 2011-12 and 2012-13 given net of disposals				
* Earlier proposed to be capitalised by 30th September 2013				

Proposal No. 3. Regarding Future Capital Expenditure

a Based on the material before it and its review, the Authority proposes

i) To consider Capital Expenditure (Refer Table 12) for addition to RAB during the current control period, for the present, for the purpose of the determination of tariff for aeronautical services during the current control period.

ii) To commission an independent study on the reasonableness of the costs incurred and capitalised by BIAL during the current control period.

iii) To note the proposal of BIAL for additional infrastructure proposed to be created during 2014-15, 2015-16 and the next control period (01.04.2016 – 31.03.2021) (Refer Table 11). The Authority expects BIAL to firm up the scope, standard of work, design and cost of the proposed additional infrastructure (Refer Para 5.44 above and Table 11)

Truing up Proposal No. 2. Truing Up for Proposal No 3

a) Based on the material before it and its review, the Authority proposes

i. To true-up the difference between the Capital Expenditure considered now and that actually incurred based on evidential submissions along with auditor certificates

ii. To true up the additions to RAB based on the results of the independent study proposed by the Authority as detailed in Para 5.31 above at the time of determination of aeronautical tariff for the next control period

6 Regulatory Asset Base (RAB) and Depreciation

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6.1 BIAL had submitted its projected Regulatory Asset Base considering the value of the Opening Asset block as of 1st April 2011, additions proposed to be made to RAB, estimated depreciation and the proposed asset allocation ratios (relevant for estimating the RAB under Dual Till)

6.2 ¢ Ƙ Ŝ ! dz ű Ƙ ƺ NJ ƛ ű ȅ Ƙ ŀ Ř Ŝ ȅ ŀ Ƴ ƛ ƴ Ŝ Ř .t Base, [made changes to] Ω ă dz ō Ƴ ƛ ă ă ƛ ƺ ƴ the amounts considered by BIAL based on revised Maintenance Capex estimates and actual costs capitalised upto March 2013 and by considering Depreciation on assets at 100% of the value without considering any salvage.

6.3 Accordingly, the Authority had detailed the Average RAB proposed to be considered under Single Till and Dual Till in Table 25 and Table 26 of the Consultation Paper No. 14/2013-14 dated 26th June 2013. Details of Average RAB considered under Table 25 and Table 26 is replicated below for easy reference:

Table 13: Table 25 of Consultation Paper No. 14/2013-14 - Revised Average RAB computation under Single Till as made by the Authority (Rs. Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Opening Regulatory Asset Base	1,595.69	1,470.33	1,358.55	3,184.54	3,058.48
Investment / Additions to RAB net of deletions	9.03	23.96	2,007.16	96.72	61.68
Depreciation	(134.39)	(135.73)	(181.18)	(222.78)	(215.68)
Closing Regulatory Asset Base	1,470.33	1,358.55	3,184.54	3,058.48	2,904.48
Average RAB for Return	1,533.01	1,414.44	2,271.55	3,121.51	2,981.48

Table 14: Table 26 of Consultation Paper No. 14/2013-14 - Revised Average RAB computation under Dual Till as made by the Authority (Rs. Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Opening Regulatory Asset Base	1,300.74	1,197.75	1,104.43	2,621.29	2,521.56
Investment / Additions to RAB Net of deletions	8.36	19.17	1,666.82	84.39	52.42
Depreciation	(111.35)	(112.48)	(149.97)	(184.11)	(177.89)
Closing Regulatory Asset Base	1,197.75	1,104.43	2,621.29	2,521.56	2,396.09
Average RAB for Return	1,249.24	1,151.09	1,862.86	2,571.42	2,458.83
Note: The Asset allocation for Dual Till given in this ű ŀ ō ƭ Ŝ ƛ ă ō ŀ ă Ŝ Ř ƺ ƴ . L ! [Ω ă Ƙ ŀ Ř ∃ ƛ Ø Ŝ ƴ ű Ƙ Ŝ ŀ ă ă Ŝ ű ŀ ƭ ƭ ƺ Ŏ ŀ ű ƛ ƺ ƴ ŀ ű y Ң Ƴ м y Ф L allocation to 91% : 9%. (Refer Para 4 above).					

(b) BIAL's MYTP 2013 submission on Average RAB and Depreciation

6.4 BIAL, in its current submissions, has considered Depreciation on assets at 100% of the value without considering any salvage as has been proposed by the Authority in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

6.5 BIAL has also considered the Opening RAB after removing the Foreign exchange loss/ gain that was capitalised as part of the Asset block in the Financial books. This has resulted in a net increase of Rs. 8.57 Crore in opening value of RAB (due to Forex gain of Rs. 10.59 Crore reduced from amount spent to compute the Opening asset capitalisation value)

6.6 Accordingly, BIAL has computed its revised Average RAB considering the revised capital expenditure proposed by it and depreciation.

6.7 BIAL has, as part of MYTP 2013 submission, detailed the following regarding the Real Estate Development Activity:

"Real Estate Development

1. Airport Business Hotel Project

The Bangalore International Airport at Devanahalli which opened on 24 May 2008 has improved Bangalore's transportation links with other Indian and international cities, and also is becoming a major catalyst for regional economic development in Karnataka and poised to be the Gateway to South India. A business hotel of international standards is an important facility at each international airport.

Pursuant to the Land Lease Deed, BIAL has been granted exclusive lease hold rights to the Project Site for aeronautical and non-aeronautical activities with the development of "hotels" as one of the non-aeronautical activities expressly permitted therein.

In view of the aforesaid, BIAL intends the establishment of a premium business hotel and conference facility at the Project site at standards compliant with international best practices.

Pursuant to the above, various consortiums submitted their proposals against the tender document and the consortium of EIH Limited and Larsen & Toubro Limited were awarded the rights for design, construction, financing, commissioning, maintenance, management and operation of the facility. A Framework Agreement for design, construction and operation of a Business Hotel facility at the New Bangalore International Airport limited was entered to by BIAL with EIH Ltd and L&T Ltd on 16 November 2006. The Consortium incorporated a Joint venture company, Bangalore Airport Hotels Limited, under the Companies Act, 1956.

L&T had submitted an income statement in response to the tender for airport hotel which is also part of the agreement. The original bid was for airport hotel with a height of 45 m, *321 keys and a total area of 273,404 sq.ft. Since then there has been changes in the specifications due to reduction in building height and hence other options like reduction in rooms and also additional land were explored.*

BIAL has consented for commencement of construction by its letter dated 18th September, 2007. BIAL has issued in principle approval for lay-out and plan by its letter dated 16th October, 2007. Subsequent to the execution of Framework Agreement, on 14th November 2008, the Airports Authority of India has issued a no objection certificate with a height clearance for only 30.36 metres above ground level.

In light of these restrictions, the Consortium has expressed to BIAL its inability to continue to develop and operate the facility in accordance with the terms of the Framework Agreement and sought certain additional concessions from BIAL or for a settlement of the cost incurred.

After a series of discussions, since the dispute was not resolved, it was agreed to go in for arbitration to settle the disputes and hence currently the project is on hold and is undergoing an arbitration procedure.

BAHL has paid a security deposit of Rs. 76.5 Cr in 2006 which was reflected as a part of liability in the Financial Statements. In view of the pending disputes, this amount is proposed to be repaid in 2013-14.

L&T BAHL was expected to undertake the Project and construct the hotel in accordance with the terms and conditions stipulated in the Framework Agreement (FWA) and the Sublease Deed. However, L&T BAHL was not able to complete the construction and make the hotel facility ready for operation as certain approvals and clearances were not forthcoming. After number of discussions and communications and on account of disagreements, L&T BAHL had invoked the dispute resolution clause in the FWA and both parties have referred the matter to Arbitration Tribunal. L&T BAHL prayed for declaring the FWA as terminated and claimed compensation for the partial construction of the Airport Hotel. The Tribunal has passed its award on 20 April 2013, where in the Honourable Tribunal has held that the FWA is not enforceable because of frustration and has directed L&T BAHL to handover the possession of partially constructed facility to the
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crore and refund the security deposit amounting to Rs. 76.5 crore with interest at 18 percent p.a. from the date of award. BIAL has challenged the arbitral award & filed arbitration suit no 15001/2013 u/s 34 of the arbitration and conciliation act, 1996. BIAL has also entered into discussion for expeditious construction of the Hotel.

2. Future Real Estate development

Neither real estate activity nor investment is envisaged as the business plan for real estate has not yet been firmed up and also no investment has been made as on date.

Hence, real estate business scenario has not been considered in the MYTP. The and t

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(c) Authority Ω ă Ŝ Ȅ ŀ Ƴ ⅄ .ƴLŀ !ű [⅄Ωă ƴ current submission on Regulatory Asset Base and Depreciation

6.8 The Authority has carefully gone through the submissions made by BIAL relating to Average RAB for the purpose of computing the return.

6.9 The Authority notes that BIAL has made adjustments to Opening RAB due to adjustment of Foreign Exchange impact on the asset values, as detailed in Para 6.5 above. The Authority however does not propose to consider any change in the Opening RAB value other than those disclosed in audited financial statement as of 31st March 2011 to be considered as part of Opening RAB as of 01.04.2011.

6.10 The Authority has also taken note of the final report Ŧ ƻ NJ ά / ƻ ƴ ă ű NJdz Ŏ ű ⅄ ƻ ƴ ƻ Ŧ ! ⅄ NJLJ ƻ NJ ű Ŧ ŀ Ŏ ⅄ ƒ ⅄ ű ⅄ Ŝ ă ŀ ű of Engineers India Limited (EIL) dated September ƻ NJ Ŝ ō è 2009 for AAI.

6.11 From the report, the Authority understands that AAI have appointed EIL as Independent Engineer for verification of Capital Expenditure incurred for Bangalore International Airport and the scope of works was to

ά { ű dz Ř è ű Ƙ Ŝ development plan / master plan indicating various airport facilities for BIAL.

Study for all drawings, specifications and procurement documents for cost assessment.

Carry out verifications to assess the cost incurred as per the various awarded works

6.12 The Authority notes that EIL has provided its report followed by various appendices and has concluded in Para 11 of its report as follows:

ά The development of the airport has been done by a consortium, which has members who have proven technologies in their respective fields of Project execution and has accordingly undertaken execution of EPC Contractors on lumpsum bidding. The cost of EPC contractors hence do not only include the cost of project components (as per market rate of individual items), but also includes its engineering and review costs and the incidental expenditure towards construction including deployment, training and provision of supervision services etc. Hence the comparison of cost incurred with respect to market rates is a complex activity and results in unjustified costs incurred. However, the different costs have been compared keeping the above in view and the few items, even after *loading the requisite factor, the rates appear to be unjustified have been identified in the report.*

The overall estimate for the project includes civil, architectural, electrical, mechanical and IT works. The cost incurred for the Main Passenger Terminal building and the runway etc. seems to be in order.

However, the cost incurred by BIAL appears to be on the higher side on certain items like HVAC (Terminal Building), escalators, elevators, trolleys, VVIP Building, Localiser and DVOR buildings, Inbuilt furniture for PTB building, taxiways & RET and Aprons etc.

The back-up papers which have been received from BIAL as well as the working sheets of EIT with back-up papers are included in the report. The overall impact with respect to the cost of the project may seem to be minor in nature, but is considerable while comparing

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6.13 The Authority notes that EIL, in Chapter 2 of their report has provided a summary of justified cost against actual cost as detailed below:

	Project : Verification of capital expenditure incurred for Bangalore International Airport Limited (BIAL) submitted by EIL			
SUMMARY OF JUSTIFIED COST AGAINST ACTUAL COST				
Sl. No.	Asset Group	Actual Cost	Justified Cost	Variation (Refer note 1)
1.	AIR CONDITIONING			
	a) HVAC(TERMINAL BUILDING)	263162576	224952000	-38210576
	b) HVAC (ATC BLOCK)	34624664	34624664	
2.	AIRPORT EQUIPMENT	2740246615	2636898215	-103348400
3.	APRON			
	a) APRON (RIGID PAVEMENT)	1369565908	1173241574	196324334
	b) MAJOR EARTHWORK	406871053	406871053	
	c) APRON DUCT BANK	6761976	6761976	
4.	BUILDINGS	3047680334	2996186793	-51493541
5.	COMMUNICATION EQUIPMENT	261614388	261614388	
6.	ELECTRICAL INSTALLATION	551658865	551658865	
7.	FURNITURE & FIXTURES	602521809	324841997	-277679812
8.	INTANGIBLES	231680000	231680000	
9.	IT EQUIPMENT	595954503	59594503	
10.	LARGE VEHICLES	164543145	164543145	
11.	LIGHTING & BEACONING	338970740	338970740	
12.	OFFICE EQUIPMENT	6844798	6844798	
13.	POWER HOUSE EQUIPMENT	535214663	535214663	

14.	*ROADS*	*2267068320*	*2267068320*	
15.	*RUNWAY*	*5526959353*	*5526959353*	
16.	*SAFETY & SECURITY EQUIPMENT*	*1080441503*	*1080441503*	
17.	*SECURITY FENCING*	*210031*	*210031*	
18.	*SMALL VEHICLES*	*34064725*	*34064725*	
19.	*SOFTWARE & PROGRAM LICENSES*	*77132613*	*77132613*	
20.	*TAXIWAYS* *a) TAXIWAY* *b) RET/PAVED SHOULDER FOR RET*	*668303902*	*640831824*	*-27472078*
21.	*WATER MANAGEMENT SYSTEM*	*443039458*	*443039458*	
	TOTAL COST	***16280872542***	***15586343801***	***-694528741***
Note 1: For Asset Group where variation in Nil, the cost incurred by BIAL is less than or equal to cost estimated by EIL.				

6.14 The Authority notes that a total cost of Rs. 69.45 Crore has been listed against various items as variation by EIL.

6.15 The Authority had also requested for response from AAI on the EIL Report. AAI has vide Letter No. AAI/BIAL-25/MYTP/2014/53 dated 15th January 2014 stated that:

> *ά X a к ă 9 ў ∃ ʎ ў Ŝ ŜNJă L ў Ř ʎ І· [ʎ Ύ ʎ ű Ŝ Ř ǿ І· ă І·LJLJƵ ʎ ў ű Ŝ Ř verification of Capital Expenditure incurred for Bangalore International Airport. The report submitted by Engineers India Ltd. has been accepted by AAI and a copy of the same has been forwarded to AERA. AAI has no further comments/ observations to make on the NJŜLJƵNJű X έ*

6.16 After deliberating on the above material the Authority proposes to reckon the Opening RAB as of 24th May 2008 (the day of the commencement of Airport Operations) by Rs. 69.45 crore. The Opening RAB as of 1st April 2011 of BIAL after accounting for depreciation for the period 24th May 2008 ς31st March 2011 is given below:

Table15: Computation of amount deductible from Opening RAB as of 1st April 2011 based on the EIL Report

Asset Description (Chapter 2 for deduction)	Amount to reduce (as per EIL Report)	Category	Depn Rate	Depreciation for 3 years (2008-09 to 2010-11)	Net block to adjust from Opening RAB	Reduction from Aero RAB	Reduction from Non-Aero RAB
HVAC	3,82,10,576	PM1	10.34%	1,12,79,218	2,69,31,358	2,55,84,790	13,46,568
Airport Equipment	10,33,48,400	PM1	10.34%	3,05,06,975	7,28,41,425	6,91,99,353	36,42,071
Apron	19,63,24,334	Building 1 - TBR	3.34%	1,87,19,552	17,76,04,782	15,27,40,112	2,48,64,669
Buildings	5,14,93,541	Building 1 - TBR	3.34%	49,09,916	4,65,83,625	4,00,61,917	65,21,707

Asset Description (Chapter 2 for deduction)	Amount to reduce (as per EIL Report)	Category	Depn Rate	Depreciation for 3 years (2008-09 to 2010-11)	Net block to adjust from Opening RAB	Reduction from Aero RAB	Reduction from Non-Aero RAB
Furniture & Fixtures	27,76,79,812	FF - Furniture and Fixtures	6.33%	5,01,79,100	22,75,00,712	22,06,75,690	68,25,021
Taxiways - RET	2,74,72,078	Building 2 - RW/TW	5.00%	39,21,357	2,35,50,721	2,35,50,721	-
TOTAL	69,45,28,741			11,95,16,119	57,50,12,622	53,18,12,585	4,32,00,037

6.17 The Authority had considered the Opening RAB in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013 at Rs. 1595.69 crore. After the above adjustment, this value would be revised to Rs. 1538.09 crore. Accordingly, the Aeronautical RAB would also reduce proportionately based on the asset allocation between the Aeronautical assets and Non-Aeronautical assets.

6.18 The Authority also notes that the large Capitalisation proposed for 2013-14 viz. Terminal-1 expansion Project and related works, West Apron Extension etc. have not been capitalised till December 2013. While BIAL has computed depreciation in accordance with the guidelines of providing depreciation for additions during the year at half the normal rate of depreciation, the Authority proposes to consider depreciation on these assets capitalised in 2013-14 only for a period of 3 months from 2013-14.

6.19 Based on the above, the revised RAB as computed by the Authority under Single Till, 30% and 40% Shared Revenue Till are as given below:

Table 16: Revised Average RAB computation under Single Till as made by the Authority - Rs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Opening Regulatory Asset Base	1538.09	1423.21	1314.16	2856.22	2965.17
Investment / Additions to RAB	26.50	23.92	1695.97	339.58	61.68
Deletion/Disallowance	11.09	1.40	0.00	0.00	0.00
Depreciation & Amortization	130.29	131.56	153.92	230.62	236.56
Closing Regulatory Asset Base	1423.21	1314.16	2856.22	2965.17	2790.29
Average RAB for Return	1480.65	1368.69	2085.19	2910.69	2877.73

Table 17: Revised Average RAB computation under 30% and 40% Shared Revenue Till as made by the Authority - Rs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Opening Regulatory Asset Base	1359.39	1257.05	1158.82	2523.92	2628.93
Investment / Additions to RAB	26.21	21.89	1503.93	312.13	57.57
Deletion/Disallowance	11.09	1.40	0.00	0.00	0.00

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Depreciation & Amortization	117.46	118.72	138.83	207.12	212.68
Closing Regulatory Asset Base	1257.05	1158.82	2523.92	2628.93	2473.82
Average RAB for Return	1308.22	1207.93	1841.37	2576.42	2551.37

6.20 The Authority notes that the dispute with respect to Hotel Project has still not been finally resolved. The Authority had stated its position on consideration of Land Value adjustment and setting aside Interest received on Security Deposit relating to the Hotel Project in Para 10.16 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013. Accordingly, no adjustment is proposed to be carried out for Land Value adjustment during the current control period and the Authority does not propose to take both the Interest free Security Deposit and the Interest earned thereon into reckoning for tariff determination for the present, pending final outcome of the arbitration proceedings.

6.21 As far as treatment of land leased by the GoK to BIAL for the purposes of Airport Project is concerned, the Authority has received letter from GoK dated 26th August 2013. GoK has indicated that

> *ά X ¢ K Ŝ ∃ dz ƛ Ř ƛ ʏ ∃ LJNJ ƛ ʏ Ŏ ƛ LJ ſ Ŝ ă Ŧ ϩ NJ dz ű ƛ ſ ƛ ă ŀ ű ƛ ϩ ʏ ϩ Ŧ Concession Agreement (CA) and State Support Agreement (SSA). The relevant clauses are NJ Ŝ LJNJ ϩ Ř dz Ŏ Ŝ Ř ƛ ʏ ű K Ŝ ! ʏ ʏ Ŝ È dz NJ Ŝ Ŝ ʏ Ŏ ſ ϩ ă Ŝ Ř Φ X έ*

6.22 The Authority had given detailed consideration to these principles during its analysis of the MYTP 2012 submissions made by BIAL and issue of Consultation Paper No. 14/ 2013-14 dated 26th June 2013. The Authority had felt that all the receipts (either of Capital nature or Revenue nature) obtained from commercial exploitation of land in excess of Airport requirements should be ploughed back entirely into the Airport Project (particularly in accordance with Clause 4.2 (iv) and (v) of the Land Lease Deed). This alone would be in consonance with the Land Lease Deed as well as other agreements.

6.23 The Authority has noted that in Clause 4.2 of the Land Lease Deed, BIAL is required to take approval of KSIIDC for use of Land for certain purposes. Land transactions can be quite complex and the Capital and Revenue receipts generated from such transactions also depend on a variety of factors including its usage, tenure of lease, taxation etc. The Airport Order indicates this aspect ó w Ŝ Ŧ Ŝ NJ t ŀ NJ ŀ т Φ p ϩ ʏ ά !. The Authority is cognizant of the fact that land has been acquired by the GoK for the public purpose of establishment of the Airport Project. Hence the Authority feels that GoK would be in appropriate position to ascertain the reasonableness or otherwise of the receipts accruing to BIAL on account of exploitation of land in excess of the requirements of the Airport Project. The Authority would take into account the manner of considering the receipts (both Capital and Revenue) to be reckoned towards determination of Aeronautical Tariffs based on appropriate response to be received from GoK and would take the same into account for the purposes of truing up the tariff computations for the current control period while determining Aeronautical tariffs in the next control period.

Proposal No. 4. Regarding Regulatory Asset block and Depreciation

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

i) Not to carry out any adjustment to RAB on account of monetisation of land owing to the development of Hotel, while determining Aeronautical tariffs during the current control period, as detailed in its Consultation Paper No 14/ 2013-14 dated 26th June 2013.

ii) To consider Opening RAB as of 1st April 2011 as per the audited financial statements of BIAL and to carry out deductions to Opening RAB based on EIL Report as detailed in Table 15.

iii) To consider Average Regulatory Asset Base as detailed in Table 16 and Table 17 under Single Till and Shared Revenue Till respectively

iv) To consider depreciation on 100% of the asset values (without considering any salvage value). To consider Depreciation as detailed in Table 16 and Table 17 under Single Till and Shared Revenue Till respectively

v) Taking note that the Hotel project is under Arbitration, not to consider Rs. 76.50 Crore of Interest Free Security Deposit as well as Rs. 8.39 Crore of interest earned per annum on the deposits for the period 2011-12 and 2012-13, for the purpose of tariff determination for the present, pending final outcome of the arbitration proceedings. (Refer Para 10.16 of the Consultation Paper 14/2013-14 dated 26th June 2013)

Truing up Proposal No. 3. Truing Up for Proposal No 4

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

i. To true up the Average RAB and the depreciation in the first year of the next control period based on the actual capitalised expenditure incurred in the current control period.

ii. To take into account the manner and treatment of considering the receipts from commercial exploitation of land (both Capital and Revenue) to be reckoned towards determination of Aeronautical Tariffs based on appropriate response to be received from GoK and take the same into account for the purposes of truing up the tariff computations for the current control period while determining Aeronautical tariffs in the next control period

7 Traffic Forecast

(a) . L ! [Ω ă ădz ō Ү ʎ Forecast ... in Consultation Paper No. 14/2013-14 dated 26th June 2013

7.1 BIAL has, in their earlier MYTP submission stated that the traffic numbers estimated are based on actuals for 2011-12, estimated forecast for 2012-13 and 2013-14 and based on L&B estimates for the balance period.

7.2 The Authority, at the time of issue of Consultation Paper No. 14/2013-14 dated 26th June 2013, trued up the actual traffic for 2012-13 and considered the other growth estimates for the period 2013-14 to 2015-16 based on the estimates submitted by BIAL.

7.3 Accordingly, the traffic projections considered by the Authority had been detailed in Table 31 of the Consultation Paper No. 14/2013-14 dated 26th June 2013, which is reproduced below.

Table 18: Table 31 of Consultation Paper No. 14/2013-14 - Revised Traffic estimate considered by Authority

Category	Dom / Intl	2013-14	2014-15	2015-16
PAX (Millions)	Domestic	10.30	11.47	12.75
	International	2.79	3.15	3.54
ATM #s	Domestic	94,797	1,05,948	1,17,601
	International	20,372	22,769	25,273
Cargo (tons)	Domestic	93,005	94,929	88,749
	International	1,57,258	1,63,503	1,61,916

(b) . L ! [Ω ă MYTP 2013 submission on Traffic Forecast

7.4 BIAL has, in its current submission, considered the actual traffic for 2011-12 and 2012-13 and had considered the same growth estimates as proposed by it earlier for the periods 2013-14 to 2015-16, except for revising cargo growth projections upwards for the period 2013-14 from 12.38% for Domestic Cargo and 9.27% for International Cargo submitted in MYTP 2012 to 22.89% for Domestic Cargo and 31.12% for International Cargo in MYTP 2013.

(c) Authority Ω ă Ŝ Ȅ Ӏ Ү ʎ .ƴ Ӏ ǘ ! [Ω ă MYTP 2013 submission on Traffic Forecast

7.5 The Authority notes that the projections provided for 2012-м о Ӏ ă ǈ Ӏ NJ ǘ ⱻ Ŧ . L ! [Ω submission matches with the actuals for 2012-13 and the actuals are marginally higher than the projections. The Authority notes that the traffic projections for the period 2013-14 to 2015-16 are considering traffic growth rates as given below:

Table 19: Traffic Growth rates considered by BIAL

Category		2013-14	2014-15	2015-16
Passengers	Domestic	8.50%	11.42%	11.11%
	International	11.30%	12.88%	12.36%

Category		2013-14	2014-15	2015-16
	Consolidated	9.08%	11.73%	11.38%
ATM	Consolidated	9.49%	11.76%	11.00%
Cargo		28.11%	3.30%	-2.89%

7.6 Based on the above growth rates, the traffic estimates for 2013-14, 2014-15 and 2015-16 computed by BIAL in MYTP 2013 are as below

Table20: Revised Projected traffic for the period 2013-14 to 2015-16 estimated by BIAL

Category	Dom/ Intl	2013-14	% Growth	2014-15	% Growth	2015-16	% Growth
PAX (Millions)	Domestic	10.30	8.50%	11.47	11.42%	12.75	11.11%
	International	2.79	11.30%	3.15	12.88%	3.54	12.36%
	Total	13.08	9.08%	14.62	11.73%	16.28	11.38%
ATM #s	Domestic	94,834	9.19%	1,05,989	11.76%	1,17,646	11.00%
	International	20,336	10.88%	22,728	11.76%	25,228	11.00%
	Total	1,15,169	9.49%	1,28,717	11.76%	1,42,874	11.00%
Cargo (tons)	Domestic	1,01,700	22.89%	1,03,803	2.07%	97,046	-6.51%
	International	1,88,693	31.12%	1,96,186	3.97%	1,94,282	-0.97%
	Total	2,90,392	28.11%	2,99,989	3.30%	2,91,328	-2.89%

7.7 The Authority has also received traffic estimate from AAI vide letter number AAI/ CHQ/ REV/ Airport Tariff/ AERA/ MYTP/13/996 dated 17th September 2013. Traffic projections estimated by AAI for BIAL are as given below:

Table21: Traffic projections submitted by AAI with respect to BIAL

Category	Dom / Intl	2013-14	% Growth	2014-15	% Growth	2015-16	% Growth
PAX (Millions)	Domestic	9.77	3.00%	10.07	3.00%	10.37	3.00%
	International	2.68	7.03%	2.87	7.00%	3.07	7.00%
	Total	12.45	3.84%	12.93	3.86%	13.44	3.89%
ATM #s	Domestic	88,028	2.00%	89,789	2.00%	91,584	2.00%
	International	19,440	6.00%	20,607	6.00%	21,843	6.00%
	Total	1,07,468	2.70%	1,10,396	2.72%	1,13,427	2.75%
Cargo (tons)	Domestic	85,848	4.00%	89,281	4.00%	92,853	4.00%
	International	1,49,762	4.00%	1,55,753	4.00%	1,61,983	4.00%
	Total	2,35,610	4.00%	2,45,034	4.00%	2,54,836	4.00%

7.8 The Authority notes that passenger traffic growth projections of BIAL are around 10% per annum from 2012-13 till 2017-18. Hence, with this growth rate, the passenger through put at the end of FY 2017-18, according to BIAL would be 20.14 Million. This would match the Terminal capacity of T1 including T1A of 158,667 sq. m. Based on these projections, the Authority notes that BIAL has projected commencement of construction of Terminal 2 (T2) in this Control period.

7.9 As far as the ATMs are concerned (which have a direct bearing on the Runway handling capacity), . L ! [Ω ă Ŝ ă ű ƛ Ƴ ŀ ű Ŝ Ϯ 10%. On account of these projections, BIAL feels ŀ ƭ ă Ϯ that there may be necessity of a Second Runway whose construction is also proposed by BIAL to commence in this control period. However, these estimates would need to be juxtaposed against the actual performance over 2013-14 as well as trend in 2014-15 to arrive at the timing of the Ǒ Ϯ Ƴ Ƴ Ŝ ƴ Ǒ Ŝ Ƴ Ŝ ƴ ű Ϯ Ŧ ¢ н ŀ ă ǿ Ŝ ƭ ƭ ŀ ă ű Ʀ Ŝ ƴ Ŝ ǿ wdz ƴ ǿ ŀ ề Φ C would be most significant. The Authority also understands that in some of the Foreign Airports, the passenger handling capacity per Runway appears to be around 25 Mio to 30 Mio per annum.

7.10 The Authority proposes to true up the actual traffic, without any Traffic band adjustment for the first control period, in the first year of the next control period, as proposed by it in the earlier Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

Proposal No. 5. Regarding Traffic Projections

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

i) To consider the actual traffic for the periods 2011-12 and 2012-13

ii) To consider the growth rates proposed by BIAL for the balance period of 2013-14 to 2015-16 in the current control period as detailed in Table 20

Truing up Proposal No. 4. Truing up for Proposal No 5

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

i. To true up the traffic volume based on actual growth during the current control period while determining aeronautical tariffs for the next control period commencing w.e.f 01.04.2016.

8 Debt and Cost of Debt

(a) BIAL's earlier submissions on Debt and Cost of Debt and Authority's proposal in Consultation Paper No. 14/2013-14 dated 26th June 2013

8.1 BIAL had stated, in the earlier submissions the cost of debt for Rupee loans to be at 12.5% for the periods 2011-12, 2012-13 and had considered the cost of debt to be at 13.5% for the balance period 2013-14 to 2015-16. BIAL had also considered cost of debt for Foreign Currency loans to be at 10.15% from 2012-13 to 2015-16

8.2 The Authority, at the time of issue of Consultation Paper No. 14/ 2013-14 dated 26th June 2013, considered the actual cost of debt for the periods 2011-12 and 2012-13 and had considered the cost of debt for Rupee Loan at 12.5% for the periods 2013-14 to 2015-16 for Rupee Term loans and at 10.15% for Foreign Currency Loan for the period 2013-14 to 2015-16.

8.3 Accordingly, the Weighted Average Cost of Debt considered by the Authority for its computation of Fair Rate of Return were detailed in Table 36 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013, which is reproduced below:

Table 22: Table 36 of Consultation Paper No 14/ 2013-14 - Revised Weighted Average Cost of Debt considered by the Authority - Single Till

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Interest cost (incl. capitalised)	129.72	145.43	242.41	249.22	298.97
Opening Debt balance	1,619.16	1,461.55	2,149.79	2,433.30	2,149.69
Closing Debt balance	1,461.55	2,149.79	2,433.30	2,149.69	3,221.89
Average Debt Balance	1,540.36	1,805.67	2,291.54	2,291.49	2,685.79
Weighted average Interest rate computed	8.42%	8.05%	10.58%	10.88%	11.13%
Weighted Average Interest rate for the period	10.04%				

(b) BIAL MYTP 2013 submissions on Cost of Debt

8.4 BIAL, in its revised submissions has considered the cost of debt as per its earlier submissions and has considered the rate of 13.5% for its Rupee Term loan for the period 2013-14 to 2015-16 and at 10.15% for the same period for the Foreign Currency loan.

8.5 BIAL has re-estimated the total debt by considering the actual debt balance as of 31st March 2013 and estimated debt for the balance period considering its gearing and other debt covenants built into its Financial model.

8.6 Accordingly, it has re-estimated the revised Weighted average cost of debt at 10.78% under Single Till and at 10.53% under Shared Revenue Till.

(c) Authority's Analysis of BIAL's revised submission on Debt and Cost of Debt

8.7 The Authority proposes to consider the cost of debt at 12.5% for Rupee Term Loan and at 10.15% for the Foreign Currency Loan for the periods 2013-14 to 2015-16 in line with the proposal detailed by the Authority in Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

8.8 The Authority proposes to consider the Weighted Average cost of debt considering actual cost incurred upto 2012-13 and estimated based on revised rates considered by it in Para 8.7 above.

8.9 The Authority has noted from the tariff model, submitted by BIAL, that the weighted average cost of debt differs between the Single Till Tariff model and the Shared Revenue Till tariff model. This is on account of difference in quantum of debt proposed under the different tills, which affects the computation of interest rate for the year.

8.10 Revised cost of debt after considering the above changes and based on the re-estimated quantum of debt as is computed in the Business Model, based on all other changes carried out by the Authority is given as below.

Table 23: Revised weighted average cost of debt under Single Till (Amounts in Rs Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Interest cost (incl. capitalised)	129.72	150.42	217.96	213.90	287.17
Average Debt Balance	1540.36	1805.67	2082.09	2044.59	2629.13
Average Interest rate computed	8.42%	8.33%	10.47%	10.46%	10.92%
Weighted Average Interest rate for the period	9.89%				

Table 24: Revised Weighted average cost of Debt under 40% Shared Revenue Till (Amounts in Rs Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Interest cost (incl. capitalised)	129.72	150.42	217.96	213.90	287.32
Average Debt Balance	1540.36	1805.67	2082.09	2044.59	2630.36
Average Interest rate computed	8.42%	8.33%	10.47%	10.46%	10.92%
Weighted Average Interest rate for the period	9.89%				

Table 25: Revised Weighted average cost of Debt under 30% Shared Revenue Till (Amounts in Rs Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Interest cost (incl. capitalised)	129.72	150.42	217.96	213.90	287.44
Average Debt Balance	1540.36	1805.67	2082.09	2044.59	2631.31
Average Interest rate computed	8.42%	8.33%	10.47%	10.46%	10.92%
Weighted Average Interest rate for the period	9.89%				

8.11 The Authority proposes to consider other aspects like Interest on concessional loans etc. in line with its analysis detailed in Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

Proposal No. 6. Regarding Cost of Debt

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

i) To consider the actual cost of Rupee Term Loan and ECB Loan, paid by BIAL, for FY 2011-12 and FY 2012-13 towards the cost of debt for FY 2011-12 and FY 2012-13.

ii) To consider a ceiling in respect of the cost of debt for rupee term loan availed by BIAL at 12.50%. To consider interest for Foreign Currency loan at 10.15%.

iii) Not to accept the proposed increase of 1% in the rate of interest of rupee term loan for calculation of future cost of debt for the FY 2014-15 and FY 2015-16.

iv) To consider the Weighted average Cost of debt as detailed in Table 23, Table 24 and Table 25 under Single Till, 40% Shared Revenue Till and 30% Shared Revenue Till respectively

Truing up Proposal No. 5. Truing up for Proposal No 6

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

i. To true-up the cost of debt for the current control period with actual values (determined as weighted average rate of interest for the individual tranches of loan drawn within the control period) subject to the ceiling of 12.50% for the Rupee Term Loan and 10.15% for the ECB Loan.

ii. To review this ceiling upon reasonable evidence that BIAL may present to the Authority in this behalf.

9 Cost of Equity

(a) . L ! [Ω ă ădzō Y ƛ ă ă ƛ ƿ ƴ Ř ƿ ƴ dzű ƿ K ƿ NJ ƛ ű Ŧ Ω ă ǀ dz NJ ű LJ ƿ ă Ɩ ƒ Ř Ŝ Paper No. 14/2013-14 dated 26th June 2013

9.1 BIAL had considered a cost of equity of 24.4% for the purpose of computing its Fair Rate of Return and had submitted the report from KPMG towards estimating the cost of equity.

9.2 The Authority had, in Consultation Paper No. 14/ 2013-14 dated 26th June 2013, given details of the report of NIPFP of evaluation of cost of equity for BIAL and also a detailed analysis of the various risk factors envisaged by BIAL, its responses and the various risk mitigating measures inherent in this project on account of concessions and other benefits available to BIAL.

9.3 Based on its analysis, the Authority had considered reasonable cost of equity of 16% providing for some allowances / other risk factors.

(b) . L ! [Ω ă MYTP 2013 submission on Cost of Equity

9.4 BIAL, in its revised submissions considered the Cost of Equity to be 24.4% in line with its earlier submissions. BIAL has supported the same with the report from KPMG as submitted by it in the earlier submissions.

(c) Authority Ω ă Ŝ È Ɩ Y ƛ ƴ Ɩ ű revised submission on Cost of Equity

9.5 The Authority notes that BIAL has considered cost of Equity at 24.4% as it had considered in its earlier submissions. The Authority also notes that BIAL has submitted the same report of KPMG submitted by it for the purpose of substantiating its estimate and that no new grounds have been adduced.

9.6 The Authority has already provided its detailed analysis on the Cost of equity in Para 13 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013, which are not being elaborated in the current Consultation Paper.

9.7 The Authority observed that, NIPFP in their DIAL report dated 19.04.2012, had estimated the asset beta from a list of 29 airport companies in the range of 0.58 - 0.61. As indicated by NIPFP in Section 6 of BETA computation, NIPFP has calculated Beta for companies indicated in Table 1 on their own. As far as the overall selection of these companies is concerned, NIPFP has also given its reasoning for their inclusion in the comparator set. NIPFP had also indicated that after adjusting for the risk mitigating factors, the asset beta should be around 0.55. The Authority does not find any NJŜ Ɩ ă ƿ ƴ ƴ ƿ ű ű ƿ Ɩ ǑǑŜLJű bLtCtΩă ŜăűƛYƖűŜăΦ

9.8 The Authority had considered the asset beta of 0.51 for BIAL in Consultation Paper No. 14/ 2013-14 dated 26th June 2013. Even after considering the revised Asset Beta of 0.55 along with bLtCtΩă ŜăűƛYƖűŜă ƿ Ŧ 16% return on Equity is reasonable and accordingly, NJ ă Σ the Authority proposes to adopt the same for calculation of WACC.

9.9 The Authority, hence proposes to consider the Cost of Equity at 16% in line with the proposal made in Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

Proposal No. 7. Regarding Cost of Equity

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

i) To consider Return on Equity (post tax Cost of Equity) as 16% for the WACC calculation, both under Single Till and Shared Revenue Till.

10 Weighted Average Cost of Capital (WACC)/Fair Rate of Return l· ƴ Ř ! dz ű Ķ ƻ NJ ƛ ű è Proposal detailed in Consultation Paper No. 14/2013-14 dated 26th June 2013

(a) . L ! [Ω ă ădz ō Ƴ ƛ ă ă ƛ ƻ ƴ ƻ ƴ ² Ŝ ƛ ∃l·Ķ ƴűŘŜ Ř ! dz!űØĶ Ŝ ƻNJ l·ƛ∃űŜè Ω ă ƻ ă detailed in Consultation Paper No. 14/2013-14 dated 26th June 2013

10.1 BIAL, in its earlier submission had computed the Weighted Average Cost of Capital considering the weighted average cost of debt and Cost of equity as detailed in Para 8 above and Para 9 above.

10.2 The Authority had recomputed the Weighted Average Cost of Capital based on the changes proposed in computation of the Weighted average cost of debt and Cost of equity and considering the revised gearing ratios with actual gearing considered for 2011-12 and 2012-13 and the projected Debt and Equity closing balances for the balance period.

10.3 The recomputed gearing detailed by the Authority in Table 44 of Consultation Paper No. 14/2013-14 dated 26th June 2013, is reproduced below for easy reference:

Table 26: Table 44 of Consultation Paper No 14/2013-14 ς Recomputed Fair Rate of Return - Single Till

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Closing balance of Debt	1461.55	2149.79	2464.75	2190.45	3257.40
Closing balance of Equity	604.66	707.69	762.75	1271.80	1541.57
Gearing Ratio	70.74%	75.23%	76.37%	63.27%	67.88%
Cost of Equity	16.00%	16.00%	16.00%	16.00%	16.00%
Weighted average gearing	70.21%				
Weighted average cost of debt	10.04%				
Fair Rate of Return	11.82%				

(b) . L ! [Ω ă M Y ! Ř 2013 submission on Weighted Average Cost of Capital

10.4 BIAL has, in its revised submission computed the Weighted Average Cost of Capital based on its computation of the Weighted average cost of debt and cost of equity as proposed by it.

10.5 ! Ŏ Ŏ ƻ NJ Ř ƛ ƴ ∃ ű ƻ . L ! [Ω ă ădz ō Ƴ ƛ ă ă ƛ ƻ ƴ ă ű 15.18% and ! / / LJNJ ƻ under Shared Revenue Till is 16.87% based on . L ! [Ω ă Ŝ ă ű ƛ Ƴ l· ű Ŝ Ř w Ŝ ű dzNJ ƴ ƻ ƴ Average Cost of Debt.

(c) Authority Ω ă Ŝ È l· Ƴ ƛ ƴ l· ű revised submission on ! [Ω ă Weighted Average Cost of Capital

10.6 The Authority Ω ă LJNJ ƻ LJ ƻ ă l· ƒ ă ƛ ƴ NJ Ŝ ă LJ Ŝ Ŏ ű ƻ Ŧ Ŏ ƻ ă ű 8 ƻ Ŧ Ř Ŝ ō ű above and Para 9 above.

10.7 As stated earlier in Proposal No 7 above, the Authority has proposed considering the Cost of

Equity at 16%.

10.8 Based on the above approach and all proposals of the Authority, the Authority proposes to compute the Weighted Average Cost of Capital for BIAL under Single Till and Shared Revenue Till considering average balance of equity and Debt of each year. The Authority has noted that the GoK has advanced an amount of Rs. 335 crores as Interest free loan to BIAL. This has been accounted for as Debt at zero interest cost. The Authority has also noted that BIAL has posted profits as seen from its Financial statements for the years 2011-12 and 2012-13. The Authority also notes that BIAL has not paid any dividends for these two years. The Profit after tax is thus transferred to the Balance { Ƙ Ŝ Ŝ ű dz ƴ Ř ŜNJ { Ƙ ŀ NJŜ Ƙ ƶ ƚ Ř ŜNJ ă Ω Ŧ dz ƴ Ř ă e Authority also notes ű ƛ ƶ ƴ ă ű that BIAL needs Capital for the expansion of the Airport and the Capital needs are larger than the Profit after tax. Hence, the entire Profit after tax can be considered as having been deployed towards Capital expenditure of the Project. Hence, for the purposes of calculation of the Debt: Equity ratio the Authority proposes to consider the actual Debt : Equity ratio as reflected in the Balance sheet for the current control period.

10.9 It may be noted that Table 27, Table 28 and Table 29 project the closing balance of Equity for 2014-15 and 2015-16 at around Rs. 1000 Crore and Rs. 1360 Crore respectively (the exact numbers is different for Single Till, 40% Shared Revenue Till and 30% Shared Revenue Till). This is higher than the closing balance of Equity for 2013-14. The higher closing balance of Equity for 2014-15 and 2015-16 is projected on the assumption (made in the model) of infusion of additional Equity by the Promoters based on the requirement of Capital Expenditure for expansion and the assumed Debt Equity ratio of 70:30 (as also assumed in the model). The Authority notes however that one of the Shareholder viz. GoK have in their letter dated 26th August 2013 stated that GoK is not inclined to infuse additional equity. Apart from this, in the Board Resolution of May 2013, BIAL has submitted to the Authority that its Board has resolved that none of the Shareholders would be able to infuse additional equity. Both 30% and 40% of Shared Revenue Till would make available some of the Non-Aeronautical Revenue in the hands of BIAL for the purposes of meeting the capital needs for expansion. The Authority has already indicated that BIAL should find appropriate additional resources (in the form of land monetisation, additional equity infusion etc.) to meet the needs of the Capital Expansion. Depending on the source of financing, the closing balance of Equity would undergo a change. The sources of additional means of finance that BIAL may mobilize for the project would have impact on the closing balance of equity and to that extent WACC calculations would undergo a change in as much as different means of finance for additional capital requirements would have different costs associated with them. For the purposes of this control period however, the Authority is taking into account the computations as made according to the model to project the closing Equity balance for 2014-15 and 2015-16. As per the exact nature and characteristics of such means of finance, revised WACC would be trued up for the current control period at the time of determination of Aeronautical tariffs for the next control period.

Table27: Recomputed Fair Rate of Return under Single Till by the Authority

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Average balance of Debt	1540.39	1805.67	2081.92	2044.72	2629.26
Average balance of Equity	522.65	656.18	746.14	1006.92	1364.44
Gearing Ratio	74.67%	73.35%	73.62%	67.00%	65.84%
Cost of Equity	16.00%	16.00%	16.00%	16.00%	16.00%
Weighted average gearing	70.16%				
Weighted average cost of debt	9.89%				
Fair Rate of Return	11.71%				

Table28: Recomputed Fair Rate of return under 40% Shared Revenue Till by the Authority

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Average balance of Debt	1540.39	1805.67	2081.92	2044.72	2630.49
Average balance of Equity	522.65	656.18	746.14	1008.57	1366.02
Gearing Ratio	74.67%	73.35%	73.62%	66.97%	65.82%
Cost of Equity	16.00%	16.00%	16.00%	16.00%	16.00%
Weighted average gearing	70.15%				
Weighted average cost of debt	9.89%				
Fair Rate of Return	11.71%				

Table29: Recomputed Fair rate of return under 30% Shared Revenue till by the Authority

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Average balance of Debt	1540.39	1805.67	2081.92	2044.72	2631.44
Average balance of Equity	522.65	656.18	746.14	1009.84	1367.22
Gearing Ratio	74.67%	73.35%	73.62%	66.94%	65.81%
Cost of Equity	16.00%	16.00%	16.00%	16.00%	16.00%
Weighted average gearing	70.14%				
Weighted average cost of debt	9.89%				
Fair Rate of Return	11.72%				

Proposal No. 8. Regarding Weighted Average Cost of Capital

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

i) To calculate WACC, for the purposes of calculating ARR, based on the audited balance sheet items like debt, equity, Reserve & Surplus as well as any other means of finance.

ii) To calculate WACC as per Table 27 under Single Till, as per Table 28 under 40% Shared Revenue Till and as per Table 29 as per 30% Shared revenue Till (based on 16% cost of equity) for the purpose of determination of aeronautical tariffs during the current control period.

Truing up Proposal No. 6. Truing up for Proposal No 8

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

i. To true up the WACC calculations based on the actual Debt: Equity ratios during the control period and changes to the Weighted Average cost of debt

11 Taxation Issues

(a) . L ! [Ω ă ǎdzōΥλ ă lǎy /ƛ Ř2 ý ! dz2 ý/K 2 ŧ NJ /È ú· ěú Ω ǎ2 ý t NJ 2 LJ 2 ǎ l· f ŘŜ ú l· No. 14/2013-14 dated 26th June 2013

11.1 BIAL had, in its earlier submission projected the Minimum Alternate Tax payments for the Control period and had claimed the same accordingly.

11.2 The Authority had recomputed the tax from the Business model, based on the changes made in line with the other proposals. The Authority had also noted that BIAL, in its Aeronautical P&L has considered the revenue from Aviation Concessions as part of the Aeronautical revenues by and accordingly computed the tax on the profits, which is incorrect as the revenues from Aviation Concessions have been reckoned as Non-Aeronautical Revenues under the Dual Till model and hence the tax on such revenues should not be considered for compensation under the Dual Till, and had proposed to correct the same.

11.3 The details of the estimated tax reimbursement proposed to be considered were listed in Table 48 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013, which are reproduced below for ease of reference:

Table 30: Table 48 of Consultation Paper No 14/2013-14 ς Revised tax numbers considered for reimbursement ςSingle Till ςRs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax payments	32.05	24.52	23.05	3.63	28.72

(b) . L ! M[YOPř 2013 submission on Taxation

11.4 BIAL has, in its revised submissions considered the tax reimbursement estimation in line with the original submissions made by it.

11.5 Accordingly, the tax reimbursement claimed by BIAL under Single Till and Shared Revenue Till are as given below:

Table 31: Revised tax numbers considered as reimbursement by BIAL - Single Till - Rs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax payments	59.10	53.16	56.53	29.33	54.39

Table 32: Revised tax numbers considered as reimbursement by BIAL ςShared Revenue Till - Rs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax payments	91.92	75.45	87.82	73.40	108.88

(c) Authority Ω ă Ŝ È ŀ Ƴ ƛ ƴ ŀ ŕevised Submission on Taxation

11.6 The Authority notes that BIAL, in its Aeronautical P&L has considered the revenue from Aviation Concessions as part of the Aeronautical revenues by BIAL and accordingly computed the tax on the profits, as was done in its earlier submission and proposes to correct the same.

11.7 The Authority also notes from the Financial statements of BIAL for the 2 years 2011-12 and 2012-13 that BIAL has not recognised the 20% MAT paid by it as cost and had adjusted the same as credit entitlement. The Authority hence proposes to consider tax cost to be added (as a building block) to ARR for 2011-12 and 2012-13 as per the amount of taxation expense reflected by BIAL in its audited Income statement for the year 2011-12 and 2012-13. As far as the subsequent years of the current control period viz. 2013-14, 2014-15 and 2015-16 are concerned, the Authority proposes to consider the tax cost to be added to ARR as derived from the Financial model submitted by BIAL noting that this is computed at 20% MAT on profits without adjusting the credit entitlement. The ! dz ű Ķ 2 NJ ƛ ű è Ŝ È Lincome statements for the period 2013-14 to 2015-16 will reflects these amounts as taxation expenses. To the extent that there is a variation, the Authority would take the taxation expenses as reflected in the Income statement for the periods 2013-14 to 2015-16 and true up the same at the time of determination of Aeronautical Tariffs at the beginning of the next control period.

11.8 The revised taxation numbers based on the above and the corrections made to the Single / Shared Revenue Till model and the resultant taxes considering other adjustments to Yield, as have been elaborated in different building blocks are as given below:

Table 33: Revised tax expense considered for calculation of ARR Single Till ς Rs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax payments	0.00	4.19	17.83	3.93	21.81

Table 34: Revised tax expenses considered for calculation of ARR ς 40% Shared Revenue Till ς Rs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax payments	0.00	0.10	0.00	0.00	11.50

Table 35: Revised tax expenses considered for calculation of ARR ς 30% Shared Revenue Till ς Rs.Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax payments	0.00	0.10	0.00	7.00	24.57

Proposal No. 9. Regarding Taxation

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

i) To consider the actual tax expenses as reflected in the audited Income statement for the year 2011-12 and 2012-13 for computation of ARR.

ii) To note actual tax paid / payable is according to MAT on account of 80 IA benefit availed by BIAL as per the Concession Agreement terms and for the purposes of Projections, to consider estimated taxes computed as per the Business model for the period 2013-14 to 2015-16 as detailed in Table 33, Table 34 and Table 35.

Truing up Proposal No. 7. Truing up for Proposal No 9

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

   i. To true up the difference between the actual corporate tax expenses reflected by BIAL in its audited Income statement and that used by the Authority for determination of tariff for the current control period. The Authority proposes that this truing up will be done in the next control period commencing 01.04.2016.

12 Working Capital and Interest thereon

(a) . L ! [Ω ă ădz ō Ƴ ƛ ă ă ƛ ƻ ƴ ƻ ƴ ² ƻ NJ ƪ Ɨƛ ƴƴŘ ! /dƚ ŰLJKƛ ƻŰNJ ƛſ Ű ȅƗ Ωƴ ăŘ tLN detailed in Consultation Paper No. 14/2013-14 dated 26th June 2013

12.1 In its MYTP 2012, BIAL has submitted that a Working Capital Facility is proposed to be taken as per terms given hereunder:

12.1.1 Working capital facility considered from 2013-14

12.1.2 Interest considered at 14% of the Working capital balance proposed

12.2 The working capital loan proposed to be considered was accordingly computed and detailed in Table 52 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

Table 36: Table 52 of Consultation Paper 14/2013-14 ςRevised working capital interest computed by the Authority ςSingle Till ςRs.Crore

Particulars	2013-14	2014-15	2015-16
Working Capital Facility balance	51.83	66.22	76.59
Interest considered as part of ARR	7.26	9.27	10.75

(b) . L ! [Ω ă MYTP 2013 submission on Working Capital and Interest thereon

12.3 BIAL has, in its revised submission considered the Working Capital requirements based on the same assumptions as proposed by it earlier in the initial MYTP submissions.

(c) Authority Ω ă Ŝ Ȅ Ɨ Ƴ ƛ ƴ Ɨ ű revised submission on Working Capital and Interest thereon

12.4 The Authority notes that BIAL has an amount of Rs. 421.37 Crore as Cash and Cash equivalents as of 31st March 2013. The Authority also notes that the difference between Current Assets and Current Liabilities (Working Capital) is Rs. 127.73 Crore as of March 2013. Closing balance of cash is projected at approx. Rs. 10 Crore as of March 2016 as per the Model, the Authority understands that this cash is proposed to be used for funding the Capital expansion in the years 2013-14 to 2015-16. The Authority notes that BIAL has projected Working Capital Loan requirements from the year 2013-14 till 2015-16 as per Table 37 (under Single Till) which is derived from the model submitted by BIAL. Similar Tables have been computed for both 40% Shared Revenue Till (Table 38) and 30% Shared Revenue Till (Table 39). The Authority therefore proposes to include these requirements for Working Capital for the purposes of payment of interest on the same as a revenue expenditure which impacts ARR. As has been the policy of the Authority, the actual interest paid by BIAL on Working Capital would alone be taken into account at the time of truing up during the next control period.

12.5 Considering the other changes to Business Plan, as elaborated in the other Building blocks, the reworked Working Capital Facility balance and interest on the same is recomputed as follows:

Table37: Revised working Capital interest computed by the Authority - Single Till ‑ Rs. Crore

Particulars	2013-14	2014-15	2015-16
Working Capital Facility balance	50.04	64.55	74.96
Interest considered as part of ARR	7.01	9.04	10.52

Table38: Revised working capital interest computed by the Authority ‑ 40% Shared Revenue Till ‑ Rs. Crore

Particulars	2013-14	2014-15	2015-16
Working Capital Facility balance	50.04	65.39	75.97
Interest considered as part of ARR	6.31	8.26	9.63

Table39: Revised working capital interest computed by the Authority ‑ 30% Shared Revenue Till ‑ Rs. Crore

Particulars	2013-14	2014-15	2015-16
Working Capital Facility balance	50.04	66.07	76.77
Interest considered as part of ARR	6.31	8.35	9.73

Proposal No. 10. Regarding Working Capital Interest

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

i) To consider the working capital interest cost computed as given in Table 37, Table 38 and Table 39 under Single Till, 40% Shared Revenue Till and 30% Shared Revenue till for the purpose of computation of ARR.

Truing up Proposal No. 8. Truing up for Proposal No 10

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

i. To true up this Working Capital Interest Expenditure based on the actual costs incurred by BIAL during the control period, at the beginning of the next control period.

13 Operating and Maintenance Expenditure

(a) Operating and Maintenance Expenditure – Proposal detailed in Consultation Paper No. 14/2013-14 dated 26th June 2013

13.1 BIAL had detailed its estimate on various heads of Operating and Maintenance Expenditure in its MYTP Submissions. BIAL had also submitted the allocation of expenditure between Aeronautical services and Non-Aeronautical services, which had been detailed in the Consultation Paper.

13.2 The Authority had carefully examined the submission made by BIAL in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013 and had proposed to carry out the following changes from the submissions made by BIAL.

13.2.1 Reduce the staff welfare cost estimate as a % of the payroll cost, based on the actual cost incurred

13.2.2 Consider the O&M estimate for assets proposed to be capitalised in Phase 2 in line with the estimated % of Operation & Maintenance cost for assets proposed to be capitalised in Phase 1

13.2.3 Not to consider Bad debts submitted by BIAL as an estimate of the revenue but to consider actual Bad debts written off in 2012-13

13.2.4 Considering performance fee % for OMSA fee in line with the actual % spends

13.2.5 Truing up expenditure for 2012-13 based on actual costs incurred

13.3 Accordingly, the Authority had recomputed the Operating and Maintenance Expenditure proposed to be considered by it for the purpose of Tariff determination in Table 88 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013, replicated below for easy reference:

Table 40: Table 88 of Consultation Paper 14/2013-14 – Recomputed Operating and Maintenance Expenditure – Single Till – Rs. Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Personnel Expenses	74.68	86.33	112.12	138.52	167.05
Operation & Maintenance	38.79	50.20	47.25	76.95	84.89
Concession Fee	20.94	23.75	29.56	38.05	40.29
Lease Rent	6.35	6.35	6.35	6.35	11.78
Utilities	21.90	22.85	29.84	40.35	42.23
Insurance	2.85	2.50	4.89	4.98	5.09
Marketing and Advertising	5.67	4.86	6.01	6.71	7.48
Waivers and Bad Debts		47.51			
OMSA Fee	5.81	7.34	9.06	10.66	10.81
General Administration costs					

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
	Consultancy and Legal	11.15	10.71	15.73	17.30	19.03
	Travel Costs	4.10	4.30	4.73	5.20	5.72
	Office Costs	7.30	8.20	9.02	9.92	10.91
Total Costs		199.53	274.90	274.55	355.00	405.29

13.4 The Authority had also proposed to true up the Operation and Maintenance Expenditure estimate based on actual costs incurred, at the beginning of the next control period, based on the request made by BIAL.

(b) . L ! MYTP ă 2013 submission of Operating and Maintenance Expenditure

13.5 As part of the revised submission, BIAL has considered the same estimates as that was submitted as part of MYTP 2012 except to:

13.5.1 Trued up the projections for 2012-13 based on actuals incurred

13.5.2 Revise the staff welfare cost as a % of the payroll costs in line with the ! dz ű Ķ ₴ ǸJ ʎ ű è Ω ă proposed change.

13.5.3 Revise the estimate for Other O&M costs from Rs. 2.25 Crore to Rs. 3.93 Crore for the year 2013-14.

13.5.4 Revise the efficiency factor for Other O&M Cost for 2013-14 and the resultant O&M cost.

(c) Authority Ω ă Ŝ È ŀ Ÿ ʎ ӯ ŀ ǘ revised submission on Operating and Maintenance Expenditure

13.6 The Authority notes that BIAL has carried out few modifications to the Operating and Maintenance Expenditure estimate as compared to the earlier submission as detailed above.

13.7 The Authority also notes that other changes proposed by it in the Consultation Paper No. 14/ 2013-14 dated 26th June 2013 listed in 13.2.2 above, 13.2.3 above and 13.2.4 above have not been effected by BIAL. The Authority proposes to carry out these changes made by the Authority in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013 also in the revised submissions made by BIAL and disallow the additional changes made by BIAL as detailed in Para 13.5.3 above and 13.5.4 above.

13.8 ¢ K Ŝ ! dz ű Ķ ₴ ǸJ ʎ ű è ŀ ƒ ă ₴ ӯ ₴ ű Ŝ ă ű K ŀ ű ű K Ŝ { dzǈǈ ƒ Ŝ Ÿ Ŝ ӯ income under Non-Aeronautical Revenue which the Authority proposes to adjust from the Operating expenditure of Utility costs.

13.9 Accordingly, the recomputed Operating and Maintenance expenditure proposed to be considered by the Authority is detailed below

Table 41: Recomputed Operating and Maintenance Expenditure - Single Till - Rs. Crore

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
Personnel Expenses		74.68	86.33	112.12	138.52	167.05
Operation & Maintenance		38.67	49.91	47.89	76.90	84.88
Concession Fee		25.42	25.12	25.45	36.78	40.04
Lease Rent		6.35	6.35	6.35	6.35	11.78
Utilities		16.09	17.48	24.31	34.83	36.69
Insurance		2.93	2.47	4.69	4.91	5.01
Marketing and Advertising		4.57	5.45	6.01	6.71	7.48
Waivers and Bad Debts			47.51			
OMSA Fee		7.84	6.64	8.34	10.40	10.78
General Administration costs						
	Consultancy and Legal	11.23	11.37	15.73	17.30	19.03
	Travel Costs	4.06	3.80	4.73	5.20	5.72
	Office Costs	7.27	8.04	9.02	9.92	10.91
Total Costs		199.10	270.46	264.63	347.82	399.36

Table 42: Recomputed Operating and Maintenance Cost proposed to be considered - 40% Shared Revenue Till - Rs. Crore

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
Personnel Expenses		67.21	77.70	100.90	124.67	150.35
Operation & Maintenance		35.19	45.35	43.58	68.48	75.58
Concession Fee		20.17	19.18	19.32	30.05	32.15
Lease Rent		6.35	6.35	6.35	6.35	11.78
Utilities		16.09	17.48	24.31	34.83	36.69
Insurance		2.67	2.24	4.26	4.46	4.56
Marketing and Advertising		4.25	5.09	5.63	6.29	7.03
Waivers and Bad Debts			47.51			
OMSA Fee		7.84	6.64	7.23	9.13	9.36
General Administration costs						
	Consultancy and Legal	10.11	10.23	14.16	15.57	17.13
	Travel Costs	3.65	3.42	4.26	4.68	5.15
	Office Costs	6.54	7.24	8.12	8.93	9.82
Total Costs		180.07	248.43	238.11	313.44	359.60

Table 43: Recomputed Operating and Maintenance Cost proposed to be considered - 30% Shared Revenue Till - Rs. Crore

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Personnel Expenses	67.21	77.70	100.90	124.67	150.35
Operation & Maintenance	35.19	45.35	43.58	68.48	75.58
Concession Fee	20.17	19.18	19.32	31.17	33.63
Lease Rent	6.35	6.35	6.35	6.35	11.78
Utilities	16.09	17.48	24.31	34.83	36.69
Insurance	2.67	2.24	4.26	4.46	4.56
Marketing and Advertising	4.25	5.09	5.63	6.29	7.03
Waivers and Bad Debts		47.51			
OMSA Fee	7.84	6.64	7.23	9.22	9.53
General Administration costs					
Consultancy and Legal	10.11	10.23	14.16	15.57	17.13
Travel Costs	3.65	3.42	4.26	4.68	5.15
Office Costs	6.54	7.24	8.12	8.93	9.82
Total Costs	180.07	248.43	238.11	314.66	361.25

13.10 The Authority also notes that BIAL has currently given space for construction of Hotel to a consortium of EIH Limited and L&T and this contract is under Arbitration. Costs that may be incurred towards negotiating and handling this contract, along with cost of arbitration, legal fee etc. which are generally not a part of Airport Activity may be included in the Operating and Maintenance expenditure. The Authority has requested for details of these costs incurred from BIAL, which the Authority proposes to consider appropriately and reduce from the Operating Expenditure at the time of final Order, or if the details are not available till the time of final order, give effect to the same at the time of Aeronautical Tariff determination for the next control period.

Proposal No. 11. Regarding Operating and Maintenance Expenditure

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

i) To note that utility charges recovered from concessionaires were reflected by BIAL as part of Non-Aeronautical Revenue. This is proposed to be reduced from the Utility expenditure considered as part of the Operating and Maintenance Expenditure. Hence, to show the Operating and Maintenance expenditure under Aeronautical stream net of the Utility charges recovered from the concessionaires.

ii) To consider the revised Operating and Maintenance Expenditure as proposed by Authority detailed in Table 41, Table 42 and Table 43 for the purpose of determination of Aeronautical Tariffs under Single Till and Shared Revenue Till respectively.

iii) To consider including Rs. 47.51 Crore of actual Bad debts write offs during 2012-13 as part of the Operating and Maintenance Expenditure.

iv) To seek information from BIAL on Operating expenditure incurred on Non Airport Activity included in their actual expenditure for 2011-12 and 2012-13 and the projections and to adjust the same at the time of the Order or if these details are unavailable by that time, at the time of tariff determination for the next control period.

Truing up Proposal No 9. Truing up for Proposal No 11

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

i) To accept the proposal of BIAL to true up this O&M Expenditure based on the actual costs incurred by BIAL during the control period, at the beginning of the next control period.

14 Revenue from Other than Aeronautical Services

(a) Revenue from other than Aeronautical Services Proposal detailed in Consultation Paper No. 14/2013-14 dated 26th June 2013

14.1 BIAL had submitted its estimation of Non-Aeronautical Services under two broad categories as Aviation Concessions and Non-Aviation Concessions.

14.2 BIAL had considered the revenue share earned by from under Cargo, Ground Handing and Fuel Farm / Fuel Into plane services and revenue earned from Aerobridge charges as Non-Aeronautical Revenues.

14.3 BIAL had proposed to also not consider the Interest Income earned by it as Non-Aeronautical Revenue.

14.4 The Authority, while reviewing the Non-Aeronautical Revenue projections made by BIAL had, in Section 18 and Section 19 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013, detailed its examination and analysis and had:

14.4.1 Proposed to consider the projections made for the year 2012-13 in line with the actual revenues earned.

14.4.2 Proposed to consider Interest Income earned and projected as part of Non-Aeronautical Income (except for interest earned on Deposit received for Hotel Project).

14.4.3 Proposed to consider a CPI based increase from 2013-14 to the per-pax revenue estimates considered by BIAL.

14.4.4 Proposed to consider Revenue earned as Aerobridge charges and Fuel Farm revenue as Aeronautical Revenues.

14.4.5 Proposed to review the assets and costs incurred for incurring ICT services and appropriately consider the same in the determination of tariff at the time of final order as to whether the costs and revenue are included in Aeronautical or Non-Aeronautical section.

14.4.6 Detailed its methodology and basis for considering Cargo, Ground Handling and Fuel Farm revenue shares earned as Non-Aeronautical Revenues.

14.4.7 Highlighted on the submission made by BIAL that the Cargo, Ground Handling and Fuel Farm (CGF) concessionaires as being Agents of BIAL and accordingly detailed that the amount to be considered as Non-Aeronautical Revenue and consequently the amount to be computed as ARR would be significantly different if the CGF concessionaires were considered as agents instead of them being considered as Independent Service Providers.

14.4.8 Proposed to true up the Non-Aeronautical Revenues at the beginning of the next control period based on the request made by BIAL.

14.5 The Authority had accordingly recomputed the Non-Aeronautical Revenue to be considered for the purpose of determination of Aeronautical Tariffs and detailed the same under Table 115 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013, reproduced below for easy reference.

Table 44: Table 115 of Consultation Paper No 14/2013-14 - Recomputed Revenue from Other than Aeronautical services proposed by the Authority

Particulars	11-12	12-13	13-14	14-15	15-16
Aerobridge Charges	-	-	-	-	-
Cargo	28.41	27.10	24.86	25.38	25.45
Fuel Farm	0.62	0.55	0.56	0.56	0.57
Flight Catering	5.22	5.60	6.11	6.61	6.70
Ground Handling	0.62				
Sub-Total ς1	34.87	33.25	31.53	32.55	32.71
Landside Traffic	22.63	29.30	30.00	33.47	38.33
Terminal Entry	0.26	0.30	-	-	-
Retail	28.73	33.90	35.05	41.42	48.66
Food & Beverage	13.43	14.00	16.51	19.51	22.94
Advertising and Promotion	33.62	36.90	32.72	36.81	37.00
Rent and Land Lease	25.91	26.90	24.88	38.57	43.89
Utility Charges	5.32	5.30	5.63	5.63	5.64
ICT	11.83	12.50	12.60	14.33	16.78
Others	1.59	2.90	-	-	-
Common Infrastructure Charges	-	-	-	-	-
Sub Total ς2	143.32	162.00	157.39	189.74	213.25
Interest on Cash	22.98	9.94	15.42	8.14	5.38
Total	201.17	205.20	204.34	230.43	251.35

(b) . L !MYOPa 2013 submission on Revenue from other than Aeronautical Services

14.6 BIAL has, in its revised submission considered the Revenue from other than Aeronautical Services in line with its earlier submission except for the following changes detailed below:

14.6.1 Considered revenue estimate for 2012-13 in line with the actual revenues earned for 2012-13

14.6.2 Considered Interest income earned and projected as part of the revenue from Non-Aeronautical services

14.6.3 Revised the estimate of per pax revenue from Retail and F&B revenues from 2013-14 from its earlier submission and changed its estimate of Advertisement revenue for the year 2015-16

14.6.4 Cargo growth rates for the period 2013-14 to 2015-16 were considered higher than earlier projections as detailed in Paragraph 7.4 above, leading to increase in revenue from Cargo services.

(c) ! dz ű K 2 NJ ƛ ű è Ω ă Ŝ È l· revised submission on Revenue from other than Aeronautical Services

14.7 The Authority notes that BIAL has considered revision in estimate of revenue from Non-Aeronautical services for Retail, F&B and Advertisement revenues, which the Authority proposes to consider.

14.8 The Authority also notes that BIAL has considered Interest income earned/ projected as part of Non-Aeronautical Revenues in line ǿ ƛ ű K ű K Ŝ ! dz ű K 2 NJ ƛ ű è Ω ă LJNJ 2 LJ 2 ă l· ƒ ƛ 2013-14 dated 26th June 2013.

14.9 The Authority notes that BIAL has not carried out any other changes considered by the Authority as detailed in 14.4.3 above and 14.4.4 above. The Authority proposes to carry out these changes in the revised model submitted by BIAL.

14.10 The Authority also proposes to true up the Non-Aeronautical Revenues at the beginning of the next control period, in line with its proposal made in Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

14.11 ¢ K Ŝ ! dz ű K 2 NJ ƛ ű è K l· ă l· ƒ ă relating to ICT Revenues. BIAL has stated as follows:

Charges presently collected and/or propose to collect

Charges presently collected: Currently only ICT charges are levied to users (concessionaires) / service providers. The revenue streams are mainly from -

Trunk Mobile Radio System (TMRS), IP phones, IP ports, Internet bandwidth / shared bandwidth, servers / network equipment. These charges are collected mainly from airlines & other concessionaires. These facilities are also being used by BIAL operations, CISF, Customs, etc.

Communication infrastructure / mobile coverage. These charges are collected from service providers viz Telco companies

Charges proposed to collect:

CUSS & CUTE as CIC charges (Directly / through SITA) and

BRS charges through ITA

14.12 BIAL has informed that the charges it proposes to collect on ICT have not been factored in the Business Plan.

14.13 The Authority notes that the ICT services are largely provided to Airlines and passengers and the ICT Assets are considered as part of Aeronautical RAB. Hence the Authority proposes to consider the ICT revenues as part of Aeronautical Revenues.

14.14 Recomputed Revenue from Non-Aeronautical Services: In accordance with the above, the recomputed Non-Aeronautical revenues are as given below:

Table 45: Recomputed Revenue from Other than Aeronautical services proposed by the Authority – Single Till – Rs.Crore

Particulars	11-12	12-13	13-14	14-15	15-16
Aerobridge Charges	The Authority had considered revenues from these charges as Aeronautical in Consultation Paper No. 14/ 2013-14 dated 26th June 2013.				
Fuel Throughput charge					
Cargo	These Aeronautical services are provided at Kempegowda International Airport by Third Party concessionaires hence Revenues from these services accruing to BIAL were reckoned as Non-Aeronautical Revenues. However, pursuant to MoCA letter 24th September 2013, Revenues accruing to BIAL on account of these services that are provided by Third Party Concessionaires are now reckoned as Aeronautical Revenues. Refer Paragraph 15.8 below				
Ground Handling					
Fuel into plane service					
Flight Catering	5.22	5.65	6.11	6.61	6.70
Landside Traffic	22.63	29.27	32.29	36.10	41.35
Terminal Entry	0.26	0.25			
Retail	28.69	33.92	39.41	46.62	54.82
Food & Beverage	13.42	13.96	16.30	19.27	22.66
Advertising and Promotion	33.62	36.95	32.83	36.86	45.29
Rent and Land Lease	25.91	26.56	26.51	40.45	46.06
Utility Charges					
ICT	Considered as Aeronautical Revenue				
Others	1.59	2.01			
Sub Total	131.33	148.56	153.45	185.92	216.88
Interest on Cash	22.98	9.94	13.70	12.76	4.40
Total	154.32	158.50	167.16	198.67	221.27

Table 46: Revenue from Non-Aeronautical services to be considered for reduction from ARR under 40% Shared Revenue Till – Rs.Crore

Particulars	11-12	12-13	13-14	14-15	15-16
Total Non-Aeronautical Revenues other than Interest Income	131.33	148.56	153.45	185.92	216.88
40% of the above (A)	52.53	59.42	61.38	74.37	86.75
Interest on Cash recomputed	22.98	9.94	13.70	12.76	4.40
40% of the above (B)	9.19	3.98	5.48	5.10	1.76

Particulars	11-12	12-13	13-14	14-15	15-16
Total (A + B)	61.73	63.40	66.86	79.47	88.51

Table 47: Revenue from Non-Aeronautical services to be considered for reduction from ARR under 30% Shared Revenue Till – Rs.Crore

Particulars	11-12	12-13	13-14	14-15	15-16
Total Non-Aeronautical Revenues other than Interest Income	131.33	148.56	153.45	185.92	216.88
30% of the above (A)	39.40	44.57	46.04	55.78	65.06
Interest on Cash recomputed	22.98	9.94	13.70	12.76	4.40
30% of the above (B)	6.89	2.98	4.11	3.83	1.32
Total (A + B)	46.29	47.55	50.15	59.60	66.38

14.15 Consideration of ISPs as agents – as per the appeal filed by BIAL: BIAL has, stated in its affidavit before AERAAT that the persons providing CGF services are acting as agents of the Principal – BIAL. Relevant extract of the appeal filed by BIAL is reproduced below:

> *ά ¢ ƘŜ Authority has failed to appreciate that the ISPs are sub-contractors and consequently agents of the appellant – Principal and the Authority could not have NJŜ∃dz ƒ ŀ ű ŜŘ ădzŎ Ƙ ! ∃ Ŝ ƴ ű ă Ř ʎ NJŜ Ŏ ű ƒ è έ*
>
> *Ψ ¢ Ƙ Ŝ ŀ LJLJ NJŜ ƒ ƒ ŀ ƴ ű the Concession Agreement to appoint sub-contractors by granting such sub-contractors the service provider rights. However it is the appellant who remains solely responsible for carrying out the services of inter alia cargo facility, ground handling, supply of fuel to aircraft. Thus the Appellant is Ŏ ŀ NJNJ è ʎ ƴ ∃ ƻ dz ű ʎ ű ă Ŏ ƻ ƴ ű NJ ŀ Ŏ ű dz ŀ ƒ ƻ ō ƒ ʎ ∃ ŀ ű ʎ ƻ ƴ ă agents/ sub-Ŏ ƻ ƴ ű NJ ŀ Ŏ ű ƻ NJ ă Φ έ*
>
> *ά L ű ʎ ă ű NJ ű Ŝ Principal acts through the agent and all actions of the agent are attributable to the Principal. In the premises, the Authority could not have issued the Impugned guidelines to the ISPs who are merely the agents of the Appellant – ƚ NJ ʎ ƴ Ŏ ʎ LJ ŀ ƒ έ*

14.16 Subsequent submissions made by BIAL state that BIAL now regards the Independent Service Providers not as agents but as third party concessionaires. The Authority had noted that the ISPs are providing relevant Aeronautical services. The Authority has deliberated on the subject and is now proposing to consider the ISPs as third party concessionaires. Details of submissions of BIAL as well as ! dz ű Ƙ ƻ NJ ʎ ű è Ω analysis on the matter have been detailed in Para 18 below.

Proposal No. 12. Regarding Revenue from Services Other than Aeronautical Services

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

i) Not to consider Aerobridge charge and revenue from ICT services as part of the Non-Aeronautical Revenue and consider these charges as Aeronautical charges for computation of Yield.

ii) To consider revenue from Cargo, Ground Handling, Fuel Supply (Fuel Through put charge, Fuel Into plane charge etc.) as aeronautical revenues as detailed in Para 15 below.

iii) To consider Interest income earned as part of Non-Aeronautical Revenue, except for Interest earned on Security deposit received from Hotel project.

iv) To consider the actual Non-Aeronautical Revenue for the period 2011-12 and 2012-13 and projections for the balance period and to consider the resultant Non-Aeronautical revenue as computed by the Authority and presented in Table 45, Table 46 and Table 47 under Single Till, 40% Shared Revenue Till and 30% Shared Revenue Till respectively.

Truing up Proposal No. 10. Truing up for Proposal No 12

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

i. True up the Non-Aeronautical Revenue based on the actual revenues earned by BIAL during the control period, at the time of determination of Aeronautical Tariffs for the next control period.

15 Treatment of Revenue from Cargo, Ground Handling and Fuel Into Plane services & Fuel Throughput Charge (CGF)

(a) BIALΩ initial submission on Treatment of Cargo, Ground Handling and Fuel Into Plane Service and Fuel Throughput Charge and ! dz ű Ķ 2 NJ ʎ ű è Ω ă t NJ 2 LJ 2 ă ŀ f Ř Ŝ ű ŀ Paper No. 14/2013-14 dated 26th June 2013

15.1 ! ă LJ Ŝ NJMYTP 2012, BIAL had classified the revenues from Cargo, Fuel Farm and Ground Handling activities under Aviation Concessions as Non-Aeronautical Revenues (under both Single and Dual Till submissions).

15.2 The Authority noted that BIAL has engaged Concessionaires to carry out the activities of Ground Handling Services, Cargo facility and Supplying fuel to the aircraft. Furthermore, BIAL had considered the revenues share received from these CGF service providers ŀ ă ć Aeronautical w Ŝ Ø Ŝ ý dz Ŝ ă έ 2012 under both Single and Dual Till Φ ¢ Ķ Ŝ Ř Ŝ ű ŀ ʎ f ă 2 Ŧ ű Ķ Ŝ ă Services έ that are provided by such concessionaires are as under:

Table48: Details of Aviation concessions

Aeronautical Service	Independent Service Provider	Revenue considered by BIAL
Ground Handling Services	Air India SATS Airport Services (AISATS)	BIAL have clarified that BIAL does not have Ground Handling Revenue and BIAL gets only Rentals from the Service providers. BIAL has entered into separate rental contracts under which conditions the space is being made available to the service provider, including the fees payable therefore. The rental contract are co-terminus with the SPRH Agreement
	Globe Ground India Pvt Ltd (GGI)	
Cargo facility	Menzies Aviation Bobba Bangalore (MABB)	Minimum Annual Guaranteed Turnover Fee, part of the Turnover Fee (being 18% of the Gross-Turnover of the SPRH in each relevant Financial Year) that is due to the Airport irrespective of the actual Gross Turnover. The amount of the MAG Turnover Fee for each Financial Year is specified in Schedule C of the respective SPRH Agreements
	Air India SATS Airport Services (AISATS)	
	Express Industry Council of India (EICI)	
Into Plane Service	Indian Oil Sky Tanking Ltd (IOSL)	BIAL receives as Airport Operator Fee an amount equal to 5% of the gross turnover of the ITP Service Provider.
	Bharat Star Services P Ltd (BSSPL).	

Aeronautical Service	Independent Service Provider	Revenue considered by BIAL
Fuel Farm	Indian Oil Sky Tanking Ltd (IOSL)	IOSL is charging Rs. 1500/KL and has termed it as Fuel Throughput Fee. This Fuel Throughput Fee has two components ς ά ! ƛ NJLJ Ϟ NJ ǘ h Ɩ (viz., Rs. 1067/KL) payable to BIAL and ά h LJ Ŝ NJ Ɩ ǘ ƛ ƴ ∃ / Ϟ ă ǘ Ɩ Rs. 433/KL) retained by IOSL.

15.3 The Authority had concluded that the Revenue share earned by BIAL from Cargo, Ground Handling and Into plane service providers will be considered as Non-Aeronautical Revenues in the hands of BIAL and the Fuel Throughput charge collected by BIAL from IOSL as Aeronautical Revenues.

(b) Authority Ω ă Ŝ Ѐ Ɩ Ƴ ƛ BIAL's revised submission (MYTP 2013) on treatment of Revenue from Cargo, Ground Handling and Fuel Into plane services and Fuel Throughput Charge

15.4 The Authority notes that the Fuel Farm Facility is operated by IOSL and that IOSL is paying Fuel Through put charge of Rs. 1067 per KL to BIAL. The Authority thus proposes to consider the Throughput Fee revenue from fuel farm service concessioned out by BIAL to IOSL as aeronautical revenue in the hands of BIAL.

15.5 As far as the classification of Revenues obtained by BIAL from Fuel Throughput Charge is Ǒ Ϟ ƴ Ǒ Ŝ NJ ƴ Ŝ Ř Σ ǘ Ƙ Ŝ ! dz ǘ Ƙ Ϟ NJ ƛ ǘ è Ω ă LJ Ϟ ă ƛ ǘ ƛ Ϟ ƴ Ƙ Ɩ ă ō Ŝ Ŝ ƴ Ɩ ƒ respect of Mumbai International Airport (MIAL) (Para 22.3) of Order No 32/ 2012-13 dated 15th January 2013. The Authority had noted that the activity of bringing fuel into the Airport is an integral and inalienable part of the chain of supply of fuel to the aircraft at the airport. As per the definition of Aeronau ǘ ƛ Ǒ Ɩ ƒ { Ŝ NJ Ǿ ƛ Ǒ Ŝ *any service provided for supplying fuel to the aircraft at an airport* ἐ ƛ ă Ɩ ƴ ! Ŝ NJ Ϟ ƴ Ɩ dz ǘ ƛ Ǒ Ɩ ƒ ă Ŝ NJ Ǿ by the Airport Operator to the Oil marketing companies in the process of supply of Fuel to the Aircraft at Bengaluru Airport. The supply of fuel in this case, i.e., entry of fuel into the Kempegowda International Airport, Bengaluru is entirely in the control of BIAL, the Airport Operator and thus, BIAL can be regarded as a service provider in the chain of supply of fuel to the aircraft at the Kempegowda International Airport, Bengaluru. The Authority has therefore consistently regarded revenues in the hands of the Airport Operator on account of Fuel Throughput Charge as Aeronautical Revenues. The Authority further notes that in its tariff determinations of Chennai and Kolkata Airports, AAI in its submission had also regarded Fuel Throughput charge as a charge towards Aeronautical Service and accordingly NJ Ŝ Ǒ ʅ Ϟ ƴ Ŝ Ř ǘ Ƙ Ŝ NJ Ŝ Ǿ Ŝ ƴ dz Ŝ ƛ ƴ ! ! L Ω ă Ƙ Ɩ ƴ Ř ă Ϟ ƴ Ɩ Ǒ Ǒ Ϟ dz ƴ ǘ

15.6 The Authority has already detailed its deliberations and analysis on treatment of Cargo, Ground handling and Fuel supply to Aircraft, extensively in Consultation Paper No. 14/ 2013-14 dated 26th June 2013. (Refer Para19.10 to Para 19.41 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013.)

15.7 In Para 4.20.1 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013, Authority had ƴ ƚ ű Ŝ Ř *A view could be taken that the revenues earned by BIAL from these Cargo, Fuel Farm and Ground Handling services is caused to be provided by airport operator and hence merits to be considered as Aeronautical Service* { ƛ Y Para 18.54 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013, the Authority had reiterated that *ά I Ŝ ƴ Ŏ Ŝ ƛ Ŧ ű K Ŝ ă Ŝ ű K NJ Ŝ Ŝ ă provided by the airport operator through third party concessionaire, a view could be taken that still it is the airport operator who has caused these three services to be provided by such appointed third* LJ l· NJ ű è Ŏ ƚ ƴ Ŏ Ŝ ă ă ƛ ƚ ƴ l· ƛ NJ Ŝ ώ Σ ű K ƛ ă ƛ ă ă dz Ŝ ø l· ă l· ƒ ă ƚ Ř Ŝ ƒ ƛ held on 22nd July 2013 and the minutes of meeting detail as follows:

> *ά The Chairperson clarified that the manner of treatment of revenue from cargo, ground handling and fuel facility is the same as was considered in the earlier Consultation Papers, i.e., if airport operator provides these services itself then revenue accruing to it from these services is treated as aeronautical. However, if these services are provided by an independent Third Party Concessionaire (ISP) the revenue share/royalty etc. accruing to the airport operator from such ISPs is treated as* ***non-aero*** *nautical revenue. However, there may be a need to revisit this issue in the next Control Period. This is because, even when the aeronautical service is provided by the third party concessionaire, it can be said* ű K l· ű ű K Ŝ l· Ŝ NJ ƚ ƴ l· dz ű ƛ Ŏ Ŏ l· dz ă Ŝ ŘŎ ƛ ű Ŝ ƛ ƴ Ŝ LJ NJ ƚ ø ű ƛ Ř Ŝ ƴ ƛ ă *operator (through third party concessionaire).ύ*

15.8 The Authority has, in response to Consultation Paper No. 14/ 2013-14 dated 26th June 2013, received the comments of MoCA vide letter No. AV 20036/19/2013-AD dated 24th September 2013. In this letter, MoCA has, inter alia stated that:

> *ά Furthermore, in view of the various provision of AERA Act, 2008 with respect to the Aeronautical Services, the Fuel Throughput Charge that is levied by Airport Operator may be considered as Aeronautical revenue in the hands of the Airport Operator. The revenues from cargo, ground handling services and fuel supply which are defined as Aeronautical Services in the AERA Act, 2008 may be reckoned as Aeronautical Revenues and considered accordingly irrespective of the providers of such Aeronautical Services.ύ*

15.9 In view of the above analysis, the Authority proposes to consider the amounts received by BIAL from Cargo, Ground Handling and Fuel Supply services as part of Aeronautical Revenues. Additionally, the Authority also proposes to regard revenues in the hands of BIAL on account of Fuel

Throughput Charge also as Aeronautical Revenues.

Proposal No. 13. Regarding Treatment of Cargo, Ground Handling and Fuel Revenues

a. Based on the material before it and its review, the Authority proposes

i) To note that the Fuel Farm Facility is operated by IOSL and the assets of this facility are also on the balance sheet of IOSL. To further note that IOSL is paying Fuel Through put charge of Rs. 1067 per KL to BIAL. The Authority thus proposes to consider the Throughput Fee revenue from fuel farm service concessioned out by BIAL to IOSL as aeronautical revenue in the hands of BIAL.

ii) To consider the revenue from Cargo Facility, Ground Handling and Into Plane services (provided by third party concessionaires) accruing to BIAL as Aeronautical revenue for determination of tariffs of aeronautical services for the current control period.

16 Other matters - Inflation and WPI based Increase, Calculation of X Factor, Matters relating to Quality of service, Matters regarding Error Correction and Annual Compliance Statement

16.1 . L ! [Ω ă ƛ ƴ ƛ ű ƛ ŀ ŧ ădzō Ƴ ƛ ă ă ƛ ƻ ƴ NJŜ Ǝ ŀNJŘ ƛ ƴ Ǝ ű Ķ Ŝ ŀ ō ƻ proposals on the same have been detailed in Section 20, 21, 29 and 30 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

16.2 The Authority proposes to consider the same proposals as detailed in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013 for the same.

Proposal No. 14. Regarding Inflation

a Based on the material before it and its review, the Authority proposes

   i) To consider WPI at 6.5% for the balance period in the current control period based on the latest assessment by RBI.

Truing up Proposal No. 11. Truing up for Proposal No 14

a) Based on the material before it and its review, the Authority proposes

   i) To true up the WPI for actual WPI as may occur for each year of the Control Period, the effect of which would be given in the next control period commencing from 01.04.2016.

Proposal No. 15. Regarding Calculation of WPI - X

a Based on the material before it and its review, the Authority proposes

   i) To consider X factor as NIL while determination of aeronautical tariff for the current control period.

Proposal No. 16. Regarding Matters regarding Error Correction and Annual Compliance Statement

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

   i) That BIAL should submit the Annual Compliance Statements for the individual tariff years of the first control period along with the MYTP for the next Control Period

17 Quality of Service

17.1 In the Consultation Paper No. 14/ 2013-14 dated 26th June 2013 the Authority had proposed that it will use the rebate mechanism as indicated in the Airport Order and the Airport Guidelines for Kempegowda International Airport. The Authority had also proposed to implement the rebate scheme from 4th Tariff year of the Current Control period i.e., 2014-15. Rebate for year 2014-15 would be carried out in 2016-17, which is the first tariff year of the next control period.

17.2 BIAL had requested the Authority to to consider the Quality parameters as set by Concession agreement. BIAL had further submitted that the Concession agreement has sufficient checks and balances to ensure high level of quality. BIAL had further stated that according to its understanding, setting its own standards by the Authority for the Quality of Service is not permissible under the AERA Act.

17.3 The Authority had analysed in detail the provisions of AERA Act with respect to the Standards for Quality of Service. AERA Act enjoins upon the Authority two separate functions. The first is to determine Aeronautical tariffs taking into consideration the service provided, its quality and other relevant factors (Section 13(1)(a)(ii) of the AERA Act). The second function is with regard ű ƨ t ŜNJŦ ƨNJƳ ŀ ƴŎŜ ă ű ŀ ƴŘ ŀNJŘ ă dzƴŘŜNJ { ŜŎ ű ƛ ƨ ƴ мо ó м ú ó Ř ú standards relating to quality, continuity and reliability of service as may be specified by the Central D ƨ ǾŜNJƴƳŜ ƴ ű ƨNJ ŀ ƴ è ! dz ű Ķ ƨNJ ƛ ű è These two functions regarding Quality ƛ ű ƛ ƴ of Service are mandated in the AERA Act under two different sub-sections viz. Section 13(1)(a)(ii) and Section 13(1)(d) of the AERA Act. Hence, the Authority, according to its understanding of the provisions of AERA Act can act under both these sections jointly or severally. Therefore the Authority ƛ ă ƴ ƨ ű LJŜNJ ădz ŀ Ř Ŝ Ř ō è . L ! [Ω ă ădz ō Ƴ ƛ ă ă not permissible ű ă Ŝ ű ű under AERA Act.

17.4 The Authority has given careful consideration to the other submission of BIAL that its Concession Agreement contains what BIAL calls adequate provisions for maintaining quality. The Authority has noted the provisions of the Concession Agreement with respect to performance standards (particularly Article 9 and Schedule 9 Part 2 thereof). The Authority notes that these standards are based on IATA Global Airport Monitor service standards. The provisions of the Concession Agreement also indicate the consequences of not coming upto the prescribed level of performance standards. On balance, therefore, the Authority feels that the scheme of performance standards as indicated in the Concession Agreement would be reasonable for this purpose.

Proposal No. 17. Regarding Quality of Service:

a Based on the material before it and its review, the Authority proposes

i) That BIAL shall ensure that service quality conforms to the performance standards as indicated in the Concession Agreement.

18. BIAL's earlier submission (MYTP 2012) on Service Providers of CGF being agents of BIAL and current submission made in its letter dated 6th September 2013

(a) BIAL's [illegible] analysis detailed in Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

18.1 As indicated in Para 14.15, BIAL in its affidavit before AERAAT has stated that the service providers giving CGF services (these services are defined as Aeronautical Services under AERA Act) are merely the agents of BIAL. The Authority in its counter affidavit before AERAAT had stated that the Authority considers the CGF service providers as third party concessionaires (ISPs and not agents of BIAL). When this appeal was heard before AERAAT on 3rd May 2013, Shri Datar, Senior Advocate sought to withdraw the appeal. AERAAT in its Order dated 3rd May 2013 amended vide its Order dated 10th May 2013, allowed the appellant to withdraw the appeal. In its order, it also permitted the appellant "*any opportunity to raise all the questions raised herein in his appeal for filing which, he seeks an opportunity. We allow the withdrawal with the liberty sought for by him*".

18.2 BIAL had, in its Appeal no 12/2011 referred to in 18.1 above, raised the question of the nature of the CGF Service Providers averring that they are its agents. Accordingly, the Authority had analysed the implication of treating Service Providers of CGF as Agents of BIAL in Table 129 of the Consultation Paper No. 14/ 2013-14 dated 26th June 2013, reproduced below for easy reference.

Table 49: Table 129 of Consultation Paper 14/2013-14 – Recomputed total amount to be recovered through Aeronautical tariffs after adjusting Revenues accruing to BIAL considering CGF Service providers as Agents

Particulars (Rs. Crore)		Single Till		Dual Till
Aggregate Revenue requirement as computed		2,817.41		3,198.28
Computation of Revenues from CGF				
Total Revenue of CGF Agents for the control period	1,768.85		1,768.85	
Revenue considered as part of the ARR (Fuel Farm and Cargo Service)	380.97		231.38	
Additional Revenues (from CGF)	1,387.88		1,537.47	
Tax on additional revenue at 20% (MAT)	(277.58)		(307.49)	
Balance amount with Operator	1,110.30		1,229.98	
Hence amount available towards ARR		(1,110.30)		(1,229.98)
Recomputed Aggregate Revenue requirement to be met through other Aeronautical tariff (LPH, UDF, FTC)		1,707.11		1,968.31

18.3 In the computations given above, details of Operating Expenses incurred by the Agents were not considered as no details relating to the same were provided by BIAL.

18.4 Accordingly the Authority had presented calculations based on two alternate proposals: (a) considering the CGF service providers as Agents of BIAL and (b) considering CGF Service providers as

Indepeɣ Ř Ŝ ɣ ű { ŜNJØ ƛ Ŏ Ŝ t NJ2 ŏ Consultation in its Consultation Paper No. 14/2013-14 dated 26th June 2013. The impact on the Airport Charges (notably on UDF) were also presented in Table 130 which is reproduced below.

Table 50: Table 51: Summary of Recomputed UDF (Domestic) based on Authority's proposals, considering CGF Service providers as agents of BIAL

Type of Passenger	Existing UDF Rates	Recomputed UDF Rates under Single & Dual Till as per Authority*					
		2013-14		2014-15		2015-16	
		Single	Dual	Single	Dual	Single	Dual
Domestic (Rs.)	231.4	0.0	126.70	40.56	104.93	106.56	178.41
International (Rs.)	952.3	0.0	506.80	162.23	419.70	426.26	713.63
* Proposed UDF levy is w.e.f. 01st October, 2013. The Authority would round off the above numbers to the nearest rupee.							
Landing, Parking Rates are as per the existing rates							
* Under Single Till In the first year UDF will be Zero and the LPH Charges will be reduced by 14.59%							

(b) Further submissions made by BIAL in this matter in response to Consultation Paper No. 14/2013-мп Ř Ŀ ű Ŝ Ř нсű K Wdzɣ Ŝ нлмо Ŀ ɣ Ř !dzű K 2NJƛ ű è Ω

18.5 BIAL has vide letter dated 6th September 2013, responded on this matter as follows:

đRef: Consultation Paper (CP) No. 14/2013-14 dated 26th June 2013 and Proposal No. 18 ç regarding alternate analysis of UDF considering CGF service provider as Agents of BIAL (And not as ISPs)

Kindly note that BIAL has contended before Airport Economic Regulatory Authority Appellate Tribunal (AERAAT) that Cargo, Ground handling & fuel (CGF) service providers are Agents. It is clarified that as per the provisions of Concession Agreement between Government of India and BIAL, BIAL is given freedom to enter into Service Providers Right Holders (SPRH) agreements with respect to services such as Cargo, Ground handling & Fuel farm services.

As per SPRH agreements, the services can be rendered by independent entities who are selected through a transparent bidding process and the framework within which such services to be rendered is determined. As long as the service providers render the services within the framework of SPRH agreement, such service provider has freedom to operate its business and carry out the provisioning of services independently. Hence they are not agents as understood under legal parlance.

After careful perusal of SPRH agreement provisions, BIAL submits that CGF services are currently provided by concessionaires of BIAL, who are not its agents and should be *treated as Concessionaires of BIAL. Kindly consider the above submission needfully at your end.*"

18.6 The Authority has analysed the relevant clauses in the SPRH agreements (relating to Cargo, ground Handling and Fuel Supply). Relevant clause from Cargo SPRH agreement is reproduced below:

"*3.2.3 The SPRH agrees and confirms that in exercising the Service Provider Rights and observing and performing its obligations and liabilities hereunder it will be acting as an independent contractor for its own account and will not be acting as or deemed in any respect to be agent or partner of BIAL*" *(emphasis added)*

18.7 The Authority also notes that similar clauses have been incorporated in the agreements for Ground Handling and Fuel Farm services as below:

"*2.2.2 The SPRH agrees and confirms that in exercising the Service Provider Rights and observing and performing its obligations and liabilities hereunder it will be acting as an independent contractor for its own account and will not be acting as or deemed in any respect to be agent or partner of BIAL*" *(emphasis added)* – Into plane fuelling agreement

"*2.1.4 The SPRH agrees and confirms that in exercising the Service Provider Rights and observing and performing its obligations and liabilities hereunder it will be acting as an independent contractor for its own account and will not be acting as or deemed in any respect to be agent or partner of BIAL*" *(emphasis added)* – Ground handling agreement

18.8 The Authority regards the above clauses in the SPRH Agreements as having sufficient clarity regarding the nature of the relationship between providers of CGF services and BIAL in that the CGF Service Providers are not agents of BIAL. The Authority has also further noted the response of M/s Menzies Bobba (Cargo Service Provider at BIAL) as follows:

ά Χ ² Ŝ ό a ! . . ύ Ŏ ƨ ƴ ű Ŝ ƴ Ř ű K -party Cargo providers by virtue of LJ Ŝ ƴ Ř Ŝ ƴ ű Service Provider Right Holder Agreement (SPRH) entered into with the Airport Operator through Global Tender. We would like to further clarify that we are not Agents of the Airport Operator. Also we are independent company formed under Indian Companies Act, 1956. We are consistent in our position and would like the same to be considered in entirety, where applicable in the Consultation Paper 14/2013 Χ έ

18.9 Hence, the Authority is unable to appreciate, how and why, despite the clear position in the SPRH Agreements ű K ŀ ű ű K Ŝ / D C { Ŝ NJ Ø ƛ Ŏ Ŝ LJNJ ƨ Ø ƛ Ř Ŝ NJ ă ŀ NJ Ŝ ƴ ƨ ű . ŀ LJLJ Ŝ ŀ f ō Ŝ Ŧ ƨ NJ Ŝ that the CGF service providers are agents of BIAL. It appears that upon closer reading of its own agreements, BIAL has now come to the conclusion that the CGF Service providers are not its agents. The Authority also notes that BIAL in its letter has stated that "*As long as the service providers render the services within the framework of SPRH agreement, such service provider has freedom to operate its business and carry out the provisioning of services independently. Hence they are not agents as understood under legal parlance*." The Authority on reading the relevant clauses of the SPRH agreements feels that ap l· NJ ű Ŧ NJ 2 Y ű K Ŝ ά f Ŝ ∃ l· f concessionaires cannot be regarded as agents of BIAL even in a financial sense in as much as BIAL does not appear to have made any payments in terms of reimbursement of costs etc. to the CGF Service providers for the services provided by them. The Authority, therefore, proposes to consider the CGF Service providers as Independent Service Providers (ISPs) and treat them as such. Accordingly, the Authority proposes to only consider the revenue shares received by BIAL from these ISPs as Aeronautical Revenue in the hands of BIAL, in the process of computing the Aeronautical Tariffs. (In accordance with Proposal No 13 above)

Proposal No. 18. Regarding considering CGF service provider as Agents of BIAL or as ISPs

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

i) To consider the CGF service providers as Independent Service Providers of BIAL ó l· ƴ Ř ƴ 2 ű l· ă and accordingly compute the ARR for the current control period.

19 Sensitivity Analysis

19.1 As per the Base Model finalized by BIAL in August 2013, the base YPP number under Single Till submitted by BIAL is Rs. 416.84 and that under Shared Revenue Till is Rs. 600.95. The Authority has analysed BIALΩs submissions on each of the regulatory building block and presented its analysis in the respective sections above. The summary of these sensitivity analyses under both Single Till and Shared Revenue Till is presented below.

Table51: Summary of changes - Impact on ARR and YPP against the Base Case - Single Till

Particulars	Aggregate Revenue Requirement (Rs. Crore)	Starting Yield per Pax (Rs.)
Base particulars as submitted by BIAL	3329.55	416.84
Considering Cargo, Ground handling, Fuel Through put fee and Fuel Into Plane charges, Aerobridge Revenues, ICT Revenues as Aeronautical Income and added to ARR	477.68	55.23
Revision of Cost of Equity to 16%	-577.51	-71.37
Disallowance of Pre-Control period shortfall claim	-112.90	-16.47
Other Changes to ARR (a)Changes to Cost of Debt (Actuals for 2011-12 and 2012-13, Cost of Debt with Ceiling as per proposals) (b) Changes to Operating Expenditure and Non-Aeronautical Revenue estimates - OMSA Performance fee reduced to 1.29%, O&M Cost % on Phase 2 assets retained at Phase 1 level, Non-Aero Revenue projected with CPI Increase from 2013-14 (c) Considering Interest Income as part of Non-Aeronautical Income except Interest on Hotel Deposits (d) Bad Debts not allowed, except for actual Bad Debts written off in 2012-13 which is allowed (e) Changes to O&M not allowed (f) Disallowances in Opening RAB based on EIL Report (g) Considering Tax cost as per financials for the 2 years 2011-12 and 2012-13 (h) Considering depreciation for 2013-14 for 3 months (i) Considering Average debt and equity balance for computation of WACC instead of closing Debt and Equity balance (j) Deferring Maintenance Capex planned for 2013-14 to 2014-15	-322.02	-36.61
Recomputed ARR and starting Yield numbers	2794.81	347.61
[illegible]		

Table 52: Summary of changes - Impact on ARR and YPP against the Base Case - 30% Shared Revenue Till

Particulars	Aggregate Revenue Requirement (Rs. Crore)	Starting Yield per Pax (Rs.)
Base particulars as submitted by BIAL	4630.84	600.95
Considering Cargo, Ground handling, Fuel Through put fee and Fuel Into Plane charges, Aerobridge Revenues, ICT Revenues as Aeronautical Income and added to ARR	-1596.14	-221.89
Revision of Cost of Equity to 16%		
Disallowance of Pre-Control period shortfall claim		
Other Changes to ARR (a)Changes to Cost of Debt (Actuals for 2011-12 and 2012-13, Cost of Debt with Ceiling as per proposals) (b) Changes to Operating Expenditure and Non-Aeronautical Revenue estimates - OMSA Performance fee reduced to 1.29%, O&M Cost % on Phase 2 assets retained at Phase 1 level, Non-Aero Revenue projected with CPI Increase from 2013-14 (c) Considering Interest Income as part of Non-Aeronautical Income except Interest on Hotel Deposits (d) Bad Debts not allowed, except for actual Bad Debts written off in 2012-13 which is allowed (e) Changes to O&M not allowed (f) Disallowances in Opening RAB based on EIL Report (g) Considering Tax cost as per financials for the 2 years 2011-12 and 2012-13 (h) Considering depreciation for 2013-14 for 3 months (i) Considering Average debt and equity balance for computation of WACC instead of closing Debt and Equity balance (j) Deferring Maintenance Capex planned for 2013-14 to 2014-15		
Recomputed ARR and starting Yield numbers	3034.70	379.06
[illegible]		

20 Aggregate Revenue Requirement for BIAL (ARR) – Under Single Till and Shared Revenue Till

20.1 The aggregate revenue sought by BIAL and Yield Per Pax is as summarised below:

Table 53: Aggregate Revenue Requirement and Yield as proposed by BIAL – Single Till – Rs. Crore

Details	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	1,544.27	1,427.41	2,247.22	3,048.18	2,882.45
Fair Rate of Return	15.14%	15.14%	15.14%	15.14%	15.14%
Return on average RAB at %	233.79	216.10	340.21	461.47	436.38
Operating Expenditure	203.28	275.87	304.75	386.01	437.90
Working Capital Interest	-	-	7.87	9.83	11.36
Depreciation	135.19	136.46	194.39	248.60	241.52
Corporate Tax	59.10	53.16	56.53	29.33	54.39
Less: Revenue from services other than Regulated services	(267.91)	(266.79)	(263.44)	(284.98)	(299.51)
Pre-control period losses	178.70				
Aggregate Revenue Requirement	542.14	414.80	640.31	850.26	882.04
Total ARR					3,329.55
No. of passengers (Crore)	1.27	1.20	1.31	1.46	1.63
Discounted ARR	542.14	360.26	483.00	557.03	501.87
Present Value					2,444.30
Aeronautical Revenues computed	529.82	537.86	622.92	737.50	868.73
Present Value					2,444.30
Yield per Pax (Rs.)					416.84

Table 54: Aggregate Revenue Requirement and Yield as proposed by BIAL – 30% Shared Revenue Till – Rs. Crore

Details	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	1,400.50	1,293.52	2,043.99	2,778.21	2,627.11
Fair Rate of Return	16.87%	16.87%	16.87%	16.87%	16.87%
Return on average RAB at %	236.29	218.24	344.86	468.73	443.24
Operating Expenditure	192.20	260.60	288.19	362.45	410.73
Working Capital Interest	-	-	7.65	9.53	11.03
Depreciation	124.09	125.36	178.63	228.42	222.10
Corporate Tax	91.92	75.45	87.82	73.40	108.88

Details	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
	2011-12	2012-13	2013-14	2014-15	2015-16
Less: Revenue from services other than Regulated services	(80.37)	(81.16)	(83.11)	(92.57)	(98.39)
Pre-control period losses	496.64				
Aggregate Revenue Requirement	1,060.77	598.49	824.04	1,049.95	1,097.59
Total ARR					4,630.84
No. of passengers (Crore)	1.27	1.20	1.31	1.46	1.63
Discounted ARR	1,060.77	512.09	603.29	657.72	588.30
Present Value					3,422.18
Aeronautical Revenues computed	763.84	775.44	898.06	1,063.26	1,252.44
Present Value					3,422.18
Yield per Pax (Rs.)					600.95

20.2 After considering the change in assumptions that have been discussed above and summarised in Para 19 above, the reworked ARR for BIAL has been computed as under:

Table55: Recomputed Aggregate Revenue Requirement by the Authority - Single Till ςRs.Crore

Details	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	1,480.65	1,368.69	2,085.19	2,910.69	2,877.73
Fair Rate of Return	11.71%	11.71%	11.71%	11.71%	11.71%
Return on average RAB at %	173.44	160.33	244.26	340.95	337.09
Operating Expenditure	199.11	270.46	264.63	347.82	399.36
Working Capital Interest	-	-	7.01	9.04	10.52
Depreciation	130.30	131.56	153.90	230.62	236.56
Corporate Tax	-	4.19	17.83	3.93	21.81
Less: Revenue from services other than Regulated services	(154.32)	(158.50)	(167.16)	(198.67)	(221.27)
Pre-control period losses					
Aggregate Revenue Requirement	348.53	408.04	520.47	733.69	784.08
Total ARR					2,794.81
No. of passengers (Crore)	1.27	1.20	1.31	1.46	1.63
Discounted ARR a of 01.04.11	348.53	365.25	417.04	526.25	503.42
Present Value					2,160.50
Aeronautical Revenues computed	471.27	459.40	482.90	602.54	714.71
Present Value					2,160.50

Details	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
	2011-12	2012-13	2013-14	2014-15	2015-16
Yield per Pax (Rs.)					347.61

Table 56: Recomputed Aggregate Revenue Requirement by the Authority – 40% Shared Revenue Till – Rs. Crore

Details	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	1,308.22	1,207.93	1,841.37	2,576.42	2,551.37
Fair Rate of Return	11.71%	11.71%	11.71%	11.71%	11.71%
Return on average RAB at %	153.26	141.51	215.71	301.82	298.89
Operating Expenditure	180.09	248.43	238.11	313.44	359.60
Working Capital Interest	-	-	6.31	8.26	9.63
Depreciation	117.46	118.72	138.83	207.12	212.68
Corporate Tax	-	0.10	-	-	11.50
Less: Revenue from services other than Regulated services	(61.73)	(63.40)	(66.86)	(79.47)	(88.51)
Pre-control period losses	-				
Aggregate Revenue Requirement	389.08	445.36	532.10	751.18	803.79
Total ARR					2,921.51
No. of passengers (Crore)	1.27	1.20	1.31	1.46	1.63
Discounted ARR	389.08	398.66	426.36	538.78	516.06
Present Value					2,268.93
Aeronautical Revenues computed	471.27	459.40	482.90	675.89	801.71
Present Value					2,268.93
Yield per Pax (Rs.)					365.06

Table 57: Recomputed Aggregate Revenue Requirement by the Authority ς30% Shared Revenue Till Rs. Crore

Details	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	1,308.22	1,207.93	1,841.37	2,576.42	2,551.37
Fair Rate of Return	11.72%	11.72%	11.72%	11.72%	11.72%
Return on average RAB at %	153.27	141.52	215.73	301.84	298.91
Operating Expenditure	180.09	248.43	238.11	314.66	361.25
Working Capital Interest	-	-	6.31	8.35	9.73
Depreciation	117.46	118.72	138.83	207.12	212.68
Corporate Tax	-	0.10	-	7.00	24.57
Less: Revenue from services other than Regulated services	(46.29)	(47.55)	(50.15)	(59.60)	(66.38)
Pre-control period losses	-				
Aggregate Revenue Requirement	404.52	461.22	548.83	779.37	840.75
Total ARR					3,034.70
No. of passengers (Crore)	1.27	1.20	1.31	1.46	1.63
Discounted ARR	404.52	412.85	439.76	558.99	539.78
Present Value					2,355.89
Aeronautical Revenues computed	471.27	459.40	482.90	734.72	871.49
Present Value					2,355.89
Yield per Pax (Rs.)					379.06

21 Annual Tariff Proposals: Proposals of BIAL and computation of the Authority (under Single Till, 30% Shared Revenue Till and 40% Shared Revenue Till)

(a) . L ! [Ωă {dzō Tariff Structure / Rate Card · ƴŘ !dzűK ƻNJƛűèΩă tNJƻLJƻ ă Consultation Paper No. 14/2013-14 dated 26th June 2013

21.1 BIAL, vide its submission dated 12th April 2013 (received on 16th April 2013), submitted its Annual Tariff Proposal (ATP) for FY 2013-14, FY 2014-15 and FY 2015-16.

21.2 The Authority had considered the tariff details provided by BIAL and had proposed to:

21.2.1 Consider Fuel Throughput charge as per the existing rates

21.2.2 Merge Common Infrastructure Charge (CIC) with UDF which was claimed by BIAL separately

21.2.3 Not allow discounts on Landing charges

21.2.4 Not to consider landing charges for ATRs

21.2.5 Recompute UDF according to the revised computation of ARR keeping all other charges as per the estimate of BIAL, in 1:4 ratio between International and Domestic UDF.

21.2.6 Consider 1st October as effective date of levy of revised tariff

21.3 Accordingly, the UDF as recomputed by the Authority was detailed in Table 128 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013, which is reproduced below for easy reference.

Table 58: Table 128 of Consultation Paper 14/2013-14 - Summary of Recomputed UDF (Domestic) based on Authority's proposals, keeping charges other than UDF and CIC ŀ ă LJŜNJ . L ! [Ωă űŀNJƛŦŦ LJNJ October 2013)

Type of Passenger	Existing UDF Rates	Recomputed UDF Rates under Single & Dual Till as per Authority*					
		2013-14		2014-15		2015-16	
		Single	Dual	Single	Dual	Single	Dual
Domestic (Rs.)	231.4	262.32	399.28	281.37	412.68	294.17	429.74
International (Rs.)	952.3	1049.27	1597.14	1125.48	1650.73	1176.69	1718.95
* Proposed UDF levy is w.e.f. 01st October, 2013. The Authority would round off the above numbers to the nearest rupee.							

(b) . L ! [Ωă MYTP 2013 submission on Tariff Structure / Rate card

21.4 BIAL has, in its revised submission considered the same tariff card as proposed by it in its initial submissions, except that it had proposed to ƳŜNJƎŜ /L/ ǿƛűK ¦5C Σ ƛƴ fƛ decision, but has proposed discount structure as part of Rate card. The rate card indicates the existing as well as proposed charges for Landing, Parking and Housing of the Aircrafts of different weights as well as the UDF. The rate card is Annexed herewith. For example, the existing rates for the Landing of the Aircraft and what is proposed by BIAL for the period October 2013 to March 2014 is as per Table 59 and Table 60. Similarly, the tariff card also gives details of charges for 2014-15 and 2015-16.

Table59: Landing Charges-Existing rates

Weight of Aircraft	International Flight	Other than International Flight
Up to 100 MT	Rs. 250.50 per MT	Rs. 187.90 per MT
Above 100 MT	Rs. 25,050/- + Rs. 336.60 per MT in excess of 100 MT	Rs. 18,790/- + Rs. 252.50 per MT in excess of 100 MT

Table60: Landing Charges-Proposed rates (1st October 2013 to 31st March 2014)

Weight of Aircraft	International Flight	Other than International Flight
Up to 100 MT	Rs. 578.90 per MT	Rs. 294.80 per MT
Above 100 MT	Rs. 57,890/- + Rs. 777.80 per MT in excess of 100 MT	Rs. 29,480/- + Rs. 396.10 per MT in excess of 100 MT

21.5 As far as the UDF computation is concerned, the details of UDF computed and submitted by BIAL as part of MYTP 2013 are as given below:

Table61: UDF submitted by BIAL as part of MYTP 2013 submissions

Type of Passenger	Existing UDF Rates	UDF Rates under Single & 30% Shared Revenue Till as per BIAL*					
		2013-14		2014-15		2015-16	
		Single	30% SRT	Single	30% SRT	Single	30% SRT
Domestic (Rs.)	231.4	644.18	1260.31	590.13	1090.6	600.85	1114.94
International (Rs.)	952.3	2576.73	5041.25	2360.52	4362.41	2403.41	4459.77
* Proposed UDF levy is w.e.f. 01st October, 2013.							

(c) Authority's Examination of BIAL's revised Submissions on Tariff Structure/ Rate Card

21.6 The Authority notes that BIAL has not submitted rate card for Fuel Throughput fee which is proposed to be kept at the existing rates. BIAL has not submitted any Fuel Throughput rate in its Rate card submitted as part of its earlier submission MYTP 2012. In both the submissions namely MYTP 2012 and MYTP 2013, BIAL has taken the position that the Fuel Throughput Fee is a Non-Aeronautical Revenue and probably because of this stand, BIAL may not have included Fuel Throughput Fee rate in the ATP that is about Aeronautical Charges.

21.7 The Authority however, has been consistently taking a stand that Fuel Throughput charge (or by whatever name termed like Fuel Throughput fee, Fuel Concession fee etc.) is levied towards an Aeronautical service namely that of supplying fuel to an aircraft. (Refer Paragraph 15.4 above).

21.8 As regards the Revenues accruing to BIAL on account of revenue share received from CGF Service Providers (who are Third Party Concessionaires), the Authority has received the comments of MoCA vide its letter dated 24th September 2013. (Refer Paragraph 1.13 above). Accordingly the

Authority has reckoned the revenues accruing to BIAL on account of revenue share etc. received from CGF Service Providers towards revenue items that make up ARR based on which the Aeronautical tariffs (comprising of LPH, FTC and UDF) are determined.

21.9 ! dzű Ķ ƻ NJ ƛ ű è Ω ă l· ýn Landing charges have already been detailed in Paragraph 24.11 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013 and are not being reproduced here. As far as the issue of minimum landing charge of Rs. 5000 per ATM is concerned, the Authority had proposed the same with the exception that less than 80 seater Aircrafts (in accordance with the GoI letter dated 9th February 2004) will not be charged any landing charge. ¢ Ķ Ŝ D ƻ Ǿ Ŝ NJ ý Ƴ Ŝ ý ű Ω ă of 9th February 2004 on this subject is Annexed to the Proposed Tariff card. Extract from MoCA letter dated 9th February 2004 is given below:

> *(iii) No landing charges shall be payable in respect of:*
>
> *(a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators; and*
>
> *(b) helicopters of all types*

21.10 Accordingly, the Authority does not propose to consider any discounts in the rate card and also to not consider landing charges for less than 80 seater Aircrafts.

21.11 The Authority also noted that BIAL has submitted a Variable Tariff Proposal vide letter dated 2nd December 2013 which is elaborated from Para 21.16 below. In this rate card, apart from other aspects BIAL has also proposed tariff for Aerobridge usage, which was not part of the ATP submission made as part of MYTP 2012 or even MYTP 2013. During discussions on 19th December 2013 BIAL affirmed that it proposes to charge Aerobridge charges. However, BIAL has not submitted detailed workings with respect to the computation of Aerobridge charges. Hence, the Authority does not propose to consider Aerobridge charges as proposed by BIAL in its alternate tariff proposal for the purpose of computation of Aeronautical tariffs in this Consultation Paper. However, based on detailed workings and submissions to be made by BIAL, Aerobridge charges may be considered at the time of issue of Order for determination of Aeronautical Tariffs for the current control period.

21.12 As elaborated in Para 14.13 above, the Authority proposes to treat the ICT Revenues as part of the Aeronautical Charges.

21.13 To summarise, revenues from the following charges will be reckoned for the purposes of calculation of Aeronautical Tariffs being treated as Aeronautical Revenues (a) Landing, Parking and Housing (b) Fuel Throughput Charge (c) ICT Revenues (d) Revenues (rentals, revenue share etc.) accruing to BIAL on account of the following aeronautical services concessioned out to third party concessionaires (i) Fuel Into-plane services (ii) Cargo Services (iii) Ground Handling services (f) Aerobridge charge (e) User Development Fee.

21.14 The Authority had in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013 presented the table on recomputed UDF effective 1st October 2013. As this Consultation Paper is issued in January 2014, the Authority proposes the revision in tariff effective 1st April 2014 and the recomputed UDF as per the Authority is as given below:

Table 62: Summary of Recomputed UDF based on Authority's proposals, keeping charges other than UDF as LJŜNJ . L ! [Ωă ű l· NJ ʹApril 2014) NJ ƻ LJ ƻ ă l· ſ ó ǿ ΦŜΦ Ŧ м ă ű

Type of Passenger	Current UDF	PSF (FC)**	Total current Pax charge	Recomputed UDF Rates under Single, 30% Shared Revenue Till & 40% Shared Revenue Till as per Authority*					
				2014-15			2015-16		
				Single	30%	40%	Single	30%	40%
Domestic (Rs.)	231.4	77.0	308.4	227.7	341.5	290.8	243.0	363.7	310.0
International (Rs.)	952.3	77.0	1029.3	910.9	1365.9	1163.4	972.0	1454.9	1240.0

* Proposed UDF levy is w.e.f. 01st April, 2014. The Authority would round off the above numbers to the nearest rupee.
** FC ς Facilitation Component of Passenger Service Fee. For recomputed UDF rates by the Authority, this component of Rs. 77 is included or merged into proposed UDF.

21.15 Based on the above, the table of Aeronautical Revenues considered by the Authority under various heads is as detailed below:

Table63: Componentwise Contribution to Aeronautical RevenuesRs. Crore

Nature of Revenue	Actual / Estimate			Projections for 2014-15 and 2015-16					
	2011-12	2012-13	2013-14	Single Till		30% Shared Revenue Till		40% Shared Revenue Till	
				2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Passenger Service Fee	43.85	40.90	43.51	0.00	0.00	0.00	0.00	0.00	0.00
Landing Fee	96.47	98.10	101.75	241.62	299.11	241.62	299.11	241.62	299.11
Parking Fee	2.97	3.50	3.44	1.82	2.16	1.82	2.16	1.82	2.16
Housing Fee	0.00	0.00	0.00	7.06	8.46	7.06	8.46	7.06	8.46
User Development Fee	226.73	218.30	241.30	264.61	315.59	396.79	472.38	337.96	402.60
Fuel Farm including into-plane	51.46	50.10	44.70	45.15	45.60	45.15	45.60	45.15	45.60
Cargo	28.41	27.10	28.80	29.50	29.60	29.50	29.60	29.50	29.60
Ground Handling	0.60	0.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Aerobridge Charge	8.95	7.90	6.80	0.00	0.00	0.00	0.00	0.00	0.00
ICT Revenue	11.82	12.60	12.60	12.78	14.18	12.78	14.18	12.78	14.18
Total	471.27	459.40	482.90	602.54	714.71	734.72	871.49	675.89	801.71
Collections detailed as per ARR table	471.27	459.40	482.90	602.54	714.71	734.72	871.49	675.89	801.71
Details for 2011-12 and 2012-13 is as per the break-up of audited Financial Statements									
For 2013-14, components of Landing, Parking, PSF and UDF was estimated initially by BIAL at Rs. 32.50 Crore per month which has been considered									
Cargo, Fuel Farm/ Fuel Into plane, Ground handling, ICT Revenues have been considered for 2013-14, 2014-15 and 2015-16 as per the estimate submitted by BIAL as part of MYTP 2013									

21.16 Variable Tariff Proposal submitted by BIAL: The Authority notes that BIAL has submitted a variable tariff proposal [illegible] The Authority has had discussions with BIAL on the variable tariff proposal on 19th December 2013 and understands that the Variable tariff proposal is about charging different tariffs depending on the [illegible]. The purpose of variable tariff, as understood by the Authority from its discussions with BIAL is to increase the number of Peak hours during the particular day. The Authority also understands that this is likely to result in improving the passenger through put thereby enhancing the handling capacity of the Airport beyond its current estimates. The Authority has noted the variable tariff proposal submitted by BIAL and has asked BIAL to (a) Analyse, compare and provide data on such practices followed by any other airport (including International) (b) Ensure that there are no discrimination which is not permitted as per ICAO Policies (c) Indicate the issues in implementation of variable tariff in a transparent manner with respect to different components of Aeronautical tariffs including UDF together with detailed computations / workings of the charges in different categories considering the variable tariff proposal submitted by it.

21.17 For the purpose of this Consultation Paper, the Authority proposes to compute the UDF based on the general ATP submitted by BIAL and not to consider the variable tariff proposal submitted.

Proposal No. 19. Regarding Tariff Structure/ Rate Card

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

i) To consider the multi-year ATP(s) for FY 2013-14, 2014-15 and 2015-16 submitted by BIAL for Kempegowda International Airport, Bengaluru at the MYTP stage itself.

ii) To consider levy of UDF only on departing passengers (both domestic and international) and to note that UDF is different under Single Till and 30% and 40% Shared Revenue Till.

iii) To merge the Facilitation component of PSF into the UDF w.e.f. 1st April 2014.

iv) To determine the other charges in the tariff card, namely, Landing, Parking and Housing charges, as proposed by BIAL noting that BIAL has proposed same charges under both Single Till and Shared Revenue Till.

v) To consider ICT Revenues as Aeronautical Revenues.

vi) To not determine Aerobridge charges pending receipt of detailed computations from BIAL.

vii) To note the calculation of UDF under Single Till and Shared Revenue Till as indicated in Table 62 (effective from 1st April 2014) based on the calculation of ARR and YPP (under Single Till and Shared Revenue Till) as indicated in Table 55, Table 56 and Table 57 under Single Till, 40% Shared Revenue Till and 30% Shared Revenue Till respectively.

viii) To consider revenues (rentals, revenue share etc.) accruing to BIAL on account of the following aeronautical services concessioned out to third party concessionaires (i) Fuel Into-plane services (ii) Cargo Services (iii) Ground Handling services as Aeronautical Revenues

ix) To note that revenue from Fuel Throughput Charge is considered as Aeronautical Revenue and to retain the charge at the current level of Rs. 1067/- per kilolitre for the current control period.

x) Not to consider the variable tariff proposal proposed by BIAL for the purpose of the Consultation Paper.

22 BIAL[illegible] Regulatory Approach and Till and Authority[illegible] analysis thereof

(a) Matters discussed in Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

22.1 BIAL had made its submissions under Single Till and Dual Till as part of its MYTP 2012 submissions. Thereafter, BIAL in April 2013, had also given its additional submissions on various aspects of the Regulatory approach and Building Blocks, including on Land monetisation etc. pursuant to the order of the AERAAT dated 15th February 2013.

22.2 The Authority had carefully examined the issue of the Regulatory Till and Approach submitted by BIAL. The Authority had also analysed in detail these submissions in Paragraph 26 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013.

22.3 The Authority had, after detailed analysis come to the conclusion that in the Indian context Single Till is the most appropriate approach in determination of Aeronautical Tariffs. Accordingly, the Authority had proposed to adopt Single Till in its exercise of Aeronautical Tariff determination for BIAL, in respect of the current Control period.

(b) [illegible]

22.4 BIAL had, as detailed in Paragraph 1.8 above submitted to the Authority as follows:

> *"As you are kindly aware, while submitting the tariff proposal, BIAL had submitted its proposal, based on its interpretation of provisions of Concession Agreement, on Dual Till basis. It also submitted its proposal on Single Till basis only as per directions of the Authority.*
>
> *While determining UDF for BIAL, MoCA, though of the view that no cross subsidization from non-aeronautical revenue is provided in the Concession Agreement, finalized UDF on the basis of cross subsidization of 30% from non-aero revenue. UDF decided by MoCA in the year 2008/09 was on adhoc basis and continued till the commencement of first control period.*
>
> *BIAL had submitted a letter dated July 5th 2013 to MoCA, as it had granted the concession, reiterating for dual till, based on its interpretation of the concession agreement.*
>
> *BIAL had been consistently contesting that Concession Agreement does not envisage cross subsidization. However, in order to reach to a workable solution, BIAL intends to agree with the tariff on hybrid till model and accordingly is in the process of submitting calculations based on Hybrid Till model with 30% cross subsidization. It will not be out of place to mention that even with this model, funds requirement of BIAL for expansion and debt repayment might need a special consideration.*

Additionally, BIAL will file its detailed response to Consultation Paper referred above. In the meantime, we request the Authority to kindly consider request of BIAL to consider Hybrid Till model for determination of tariff for Bengaluru International Airport [illegible]

22.5 BIAL had subsequently filed the revised MYTP 2013 under Single Till, Dual Till and what BIAL calls as 30% Hybrid to the Authority for consideration.

(c) [illegible] revised submission on Regulatory Till

22.6 As detailed in Paragraph 1.12 above, the Authority, in the normal course would have evaluated the comments received from Stakeholders on Consultation Paper No. 14/ 2013-14 dated 26th June 2013 and proceeded to issue the appropriate tariff order. However, the Authority as indicated in Paragraph 1.12 above has analysed the results under Single Till, 30% Shared Revenue Till and 40% Shared Revenue Till, as per the methodology detailed in Paragraph 1.19 above.

22.7 Furthermore [illegible] July 2013 [illegible] referred in Paragraph 22.4 above, BIAL has stated that:

> [illegible] *order to reach to a workable solution, BIAL intends to agree with the tariff on hybrid till model and accordingly is in the process of submitting calculations based on Hybrid Till model with 30% cross subsidization* [illegible]

22.8 The Authority therefore has not analysed the Dual Till Regulatory Approach submitted by BIAL as part of its MYTP 2013 submissions. The Authority had, in Consultation Paper No. 14/ 2013-14 dated 26th June 2013, concluded that in its view Single Till is the appropriate Regulatory approach.

22.9 The Authority further notes that BIAL in Page 8/55 of its MYTP 2013 submissions under what [illegible]

> [illegible] *time of determination of ad-hoc tariff of UDF for BIAL and GHIAL were done on hybrid / shared till basis by MoCA and OMDA agreements of MIAL and DIAL are also got decided on hybrid / shared till basis which can be taken as a policy direction from the abov*[illegible]

22.10 The Authority had analysed in detail (Para 26.66 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013) the reference BIAL had made to the report of M/s BridgeLink Advisors in [illegible] Link advisors had advocated [illegible] 30% shared revenue till in respect of private Greenfield airports on the analogy of DIAL/ MIAL. The Authority had given a detailed table (Table 131 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013) outlining the differences of approach between DIAL/ MIAL and BIAL and thus is not repeating the same here. In its latest submission to the Authority viz. MYTP 2013, BIAL has stated that according to it, the agreements with respect to DIAL and MIAL (incorporating 30% Shared Revenue Till) can be taken as a policy direction. The Authority is analysing this issue as under.

22.11 The Authority notes that the agreements were entered into by MoCA with BIAL and HIAL in 2004 whereas the agreements between MoCA and DIAL/ MIAL were entered into in 2006. Hence, it cannot be said that Agreements entered into in 2006 (i.e at a later date) should form as a basis much less be termed as what [illegible] Furthermore, there is no policy [illegible] document by the Government, issued after these agreements of DIAL and MIAL, stating therein that any of these agreements or the contents thereof shall act as guiding principles for economic regulation of Aeronautical Tariffs of the Airports. It is also noteworthy that DIAL and MIAL are what [illegible] The only policy [illegible] document after signing of agreements with DIAL and MIAL in 2006 that has been issued by MoCA is [illegible] Airport Policy of 2008 [illegible] Even this Green field Airport Policy 2008 does not make any such pronouncement and leaves all matters relating to economic regulation to be decided by the Authority. Moreover, the Authority has analysed the differences in the agreements signed with DIAL/ MIAL and that signed with BIAL in its Consultation Paper No. 14/ 2013-14 dated 26th June 2013 (Refer Paragraph 26.73 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013). The Authority therefore does not consider it reasonable to infer that in the absence of any assertion by the Government, the component of 30% Shared Revenue Till would alone be cherry picked as a policy direction bereft of other components in the agreements of DIAL/ MIAL. Finally, MoCA in its letter dated 24th September 2013 has felt that 40% Shared Revenue Till would be appropriate in case of BIAL as detailed in Paragraph 22.16 below.

22.12 The Authority has also considered the comments of GoK in response to Consultation Paper No. 14/ 2013-14 dated 26th June 2013. The GoK had stated that:

> *[illegible] Crore for requisite expansion. As per the proposals in the CP, a sum of Rs. 649 Crore is to be brought in as fresh equity share capital by the Shareholders to fund the expansion. The Government of Karnataka is [illegible]*

22.13 The Authority had already indicated in Paragraph 28.8 of Consultation Paper No. 14/ 2013-14 dated 26th June 2013 that the Board of BIAL on 16th May 2013 [illegible] *The Board [illegible] deliberated the matter further and asked Management to closely work with the Regulator to arrive at the Tariff and on the issue of infusion of further equity, the Board Members stated that none of the Promoters would be in a position to infuse further equity into the project* [illegible] The Authority also notes that AAI is represented on the Board of BIAL at a Member level officer of AAI. BIAL has also on its Board Senior representation from MoCA. The Authority, in Consultation Paper No. 14/ 2013-14 [illegible] particularly the Equity Cap of Rs. 50 Crore on AAI [illegible] AAI has already subscribed to its share (13%) of Equity and has reached the AAI Equity Cap (as defined in Clause 1.1

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22.14 From Table 62 it may be seen that the incidence of UDF is the lowest under Single Till, higher in 40% Shared Revenue Till and the highest in 30% Shared Revenue Till. The Authority has consistently kept the Passenger focus in its Economic Regulation of Airports including Regulatory Till, Ŀ ű ű Ķ Ŝ ă Ŀ Y Ŝ ű ƛ Y Ŝ Σ ˥ Ŝ Ŝ LJ ƛ ƴ ∃ ƛ ƴ Ǿ ƛ Ŝ ǿ Σ ű Ķ Ŝ ƭ Ŝ ∃ ƛ ă ƭ Ŀ ű ƛ ƽ Ŧ a Ŀ Ƨ ƽ NJ ! ƛ NJLJ ƽ NJ ű ă ἐ ó { Ŝ Ŏ ű ƛ ƽ ƴ м о ó м ú ó Ŀ ú ó ƛ Ǿ ú ƽ Ŧ ! should get a Fair Rate of Return.

22.15 The Authority has also noted the comments of GoK (vide its letter dated 26th August 2013) in response to Consultation Paper No. 14/ 2013-14 dated 26th June 2013 that:

ά X ¢ Ķ Ŝ D ƽ Ǿ Ŝ NJ ƴ Y Ŝ ƴ ű ƽ Ŧ Y Ŀ NJ ƴ Ŀ ű Ŀ ˥ Ŀ interest of ű Ķ Ŝ ƽ LJ ƛ ƴ LJ Ŀ NJ Ŀ Y ƽ dz ƴ ű ƛ YLJ ƽ NJ ű Ŀ ƴ Ŏ Ŝ Φ ! Ŏ Ŏ ƽ NJ Ř ƛ ƴ ∃ ƭ è Σ ¦ ă Ŝ NJ 5 Ŝ Ǿ Ŝ ƭ

22.16 The Authority has also noted the views of the MoCA with regard to the Capital needs of BIAL during the current Control period. MoCA has stated that:

ά X Φ ¢ Ķ Ŝ of Civil Aviation feels that the requirement of capital for the expansion during the current control period would be difficult to be met under a Single till approach. A Shared Revenue till of 40% would strike an appropriate balance between the needs of expansion of the airport as well as passenger interest, in terms of keeping the user charges at reasonable level. Therefore, 40% of gross revenue generated by BIAL from Non Aeronautical Services may be reckoned towards subsidizing Aeronautical charges and UDC X Φ ἐ

22.17 Having regard to the above, the Authority has therefore analysed the financial impact of different Regulatory Approaches (Single Till, 30% Shared Revenue Till as well as 40% Shared Revenue Till) on the ARR as well as the resultant Aeronautical Tariffs and UDF. While calculating UDF, the Authority proposes to accept the Landing, Parking and Housing Charges (LPH) as submitted by BIAL (BIAL has retained the LPH in MYTP 2013 as per its submissions in MYTP 2012). Hence, the resultant UDF in the three regulatory approaches as calculated by the Authority is detailed in Paragraph 21.14 above.

22.18 Based on the above calculation of Weighted Average UDF of the remainder of the Control Period, the Authority has calculated the transfer of Resources from passengers to the Airport Operator in case of 30% Shared Revenue Till at Rs. 289 Crore and in case of 40% Shared Revenue Till at Rs. 160 Crore (over Single Till). The Authority notes that in MoCA Ω ă , the 40% Shared Revenue Till strikes a proper balance between the requirement of funds for the Capital Expansion and keeping the user charges at reasonable level and hence, the Authority has calculated the various charges at 40% Shared Revenue Till.

22.19 The Authority has given careful consideration both to its general framework of determination of aeronautical tariffs (i.e. under Single Till) as well as letter of MoCA dated 24th September 2013 wherein MoCA has ădz∃ ∃ Ŝ ă ű Ŝ Ř Ŧ considered to adopt 40% Shared Revenue till. The Authority has also taken note of the requirement of capital for expansion of the airport facilities at Bengaluru airport having regard to the trends of past growth in passenger number as well as its projected growth. It has also noted that under Single Till, there would have been requirement of inclusion of certain additional capital including equity which, as has been indicated to the Authority, is not possible from the shareholders. The Authority has, therefore, considered the issue of making available some additional funds in the hands of the airport operator during the current control period for the purposes of carrying out such expansions.

22.20 The Authority has carefully considered all the above aspects and keeping in view of the ă ŀ Ƴ Ŝ Σ ű Ķ Ŝ ! dz ű Ķ ƻ NJ ƛ ű è ƛ ă LJdz ű ű ƛ ʃ ∃ Ŧ ƻ NJ ű Ķ Ŧ ƻ NJ { ű ŀ ʅ Ŝ Ķ UDF computed under 40% Shared Revenue Till as in Table 62. The Authority notes that the part of the Non-Aeronautical Revenue which would remain in the hands of BIAL under 40% Shared Revenue Till would be used by BIAL for Capital Expenditure needs towards Airport expansion during the current control period.

22.21 The computation of Aeronautical charges and UDF under 40% shared revenue till, as indicated by MoCA in its letter dated 24th September 2013 would place additional funds in the hands of the Airport Operator for Capital expansion during the current control period. The Authority is also cognizant of the fact that while calculating the charges for aeronautical services as well as for UDF, it has projected the components that go into the ARR for the current control period. As is requested by BIAL, the Authority has also proposed to true up components like Operating and Maintenance expenditure, Non-Aeronautical revenue, Traffic (both the passengers and ATM) etc at the time of determination of Aeronautical tariffs and UDF for the next control period. Based on certain projections, as are available to the Authority, it has calculated the UDF required under Single Till (Rs. 1267 Crore) as well as under 40% shared revenue till (Rs. 1427 Crore). These numbers were then broken down into UDF rates for domestic as well as international passengers based on their relative share as well as a ratio of 1:4 between the rates of UDF per departing domestic passenger and the UDF rate per departing international passenger.

22.22 The Authority has noted that based on the above projections of the building blocks for the ARR, the estimated UDF collection under 40% shared revenue till is higher by an amount of Rs. 160 crores as compared to what will be required under single till. This amount can thus be considered as transfer of resources from the passengers to the airport operator for the purpose of carrying out the expansion of airport facilities which in turn would be beneficial to the passengers and for which the passengers would be deemed to have made advance payment. The Authority, therefore, considers that such payment made by the passengers and thus would be available to the airport operator for current control period to put into expansion will require to be appropriately adjusted at the end of the current control period.

22.23 The process for true up of ARR and the amount to be adjusted in RAB at the beginning of the next control period (Refer Para 22.22 above) is proposed to be as under:

22.23.1 The Authority has computed the ARR requirement for Kempegowda International airport for the current control period under (a) Single till (b) 30% Shared revenue till and (c) 40% Shared revenue till. However, as indicated in Para 22.18 above, the Authority has proposed to make computations of Aeronautical Tariffs as well as UDF in accordance with 40% Shared Revenue Till. Hence, the true up mechanism is given with reference to the 40% Shared Revenue Till as under.

22.23.2 According to the normal methodology, the Authority first estimated the requirements of different elements and components that are the building blocks and thus go into the computation of estimated ARR that the Airport Operator should get. The different building blocks for this purpose are:

22.23.2.1 Fair rate of return on Regulatory Asset Base (RAB): This includes the computation of Average RAB and WACC.

22.23.2.2 Depreciation

22.23.2.3 Operating Expenditure

22.23.2.4 Taxation

22.23.2.5 Non-aeronautical Revenue

22.23.3 The sum of all these components, namely, the regulatory building blocks, yielded the ARR for the Aeronautical Service under both Single Till and 40% Shared Revenue Till. These are the amounts due to the Airport Operator during the current control period. Let this estimated ARR under Single Till be ΨΩ and under 40% Shared Revenue Till be ΨBΩ

22.23.4 Since under Shared Revenue Till, only a certain percentage of Non-Aeronautical revenues are reckoned towards the building block, the ARR requirement under 40% Shared Revenue Till (ΨBΩ) is higher than that under Single Till (ΨAΩ)

22.23.5 Over the control period, the Authority has estimated what the airport operator would receive as Aeronautical revenues from different aeronautical services at the rate which is proposed by the Authority. The revenue streams in the hands of the airport operator are:

22.23.5.1 Landing, Parking, Housing Fee

22.23.5.2 Revenue from Cargo service, Ground Handling, Fuel Supply (Fuel farm, Into Plane service as well as Fuel throughput charge).

22.23.5.3 Other aeronautical revenues. (Aerobridge, ICT etc.)

22.23.6 The sum total of the above Aeronautical revenues (Para 22.23.5 above) would yield the total estimated Aeronautical revenues that will be received by the airport operator. Let the sum total of such revenues be termed as Ψ./ Ω

22.23.7 The Authority has noticed that Ψ/ Ω is generally lower than Ψ Ω as well as Ψ.. Ω The difference, namely, A minus C or B minus C is the shortfall between what ARR is due to the airport operator and what the Airport Operator is estimated to receive from the sum total of different aeronautical services. ¢ K λ ă ă K 2 NJpíeF dzLJ Ɛ rough collection of User Development Fee (UDF). The amount Ψ/ Ω is the same for single till as well as 40% Shared Revenue Till because Authority has proposed to keep the same Aeronautical tariffs both under Single Till as well as 40% Shared Revenue Till. Hence the quantum of UDF under 40% Shared Revenue Till is higher than that under single till.

22.23.8 The amount of UDF that is required to top up the revenue receipts in the hands of the airport operator to match the estimated ARR is broken down into the rate or UDF per passenger, both domestic as well as international. With these computations and inclusion of proposed UDF, the estimated ARR (under single till as well as under 40% shared revenue till) equals the estimated revenue to be received by the airport operator under both these regulatory tills. The numbers Ψ,! Ω Ψ Ω and Ψ/ Ω are thus estimates at the time of the proposals as presented in the Consultation Paper.

22.23.9 At the end of the control period, the contribution of different elements of the building block may be at variance from their projections. Hence, at the end of the control period, depending on the variations in different components, the ARR that is due to the airport operator is likely to be different from Ψ Ω or for that matter Ψ.. Ω Taking an illustrative example, if the non-aeronautical revenue were to be higher than the projected amount (other elements remaining the same), because the non-aeronautical revenue is subtracted from contribution of all other building blocks, the Aggregate Aeronautical Revenue Requirement at the end of the control period would be lower than Ψ.! Ω Let the ARR due to the Airport Operator at the end of the current control period based on different values of the building blocks, after the true up process, under Single Till be called Ψ 5 Ω The Authority notes that the actual ARR at the end of the current control period would be different only if the Authority proposes to true up the different components of the building blocks. If none of the building blocks are proposed to be trued up, there would be no difference between what is computed as Ψ5 Ω from the ARR computed as Ψ)! Ω

22.23.10 Para 22.23.9 above was based on the values of the Building blocks that go into the calculation of ARR that could be due to the Airport Operator at the end of the current control period after the truing up process has been completed. Correspondingly, on the revenue side, the actual receipts from different revenue streams in the hands of the Airport Operator would be the same for Single Till and 40% Shared Revenue Till except the UDF. The UDF actually collected under 40% Shared Revenue Till would be known because the Authority has proposed the UDF rate under 40% Shared Revenue Till and the actual number of passengers would also be available at the end of the current control period. However, as far as the value of UDF under Single Till is concerned, this number would need to be computed from the average UDF per passenger that would have been determined under Single till (Had the Authority made computations in accordance with Single Till) and the actual number of passengers that would be the same as in 40% Shared Revenue Till. (The number of actual passengers at the end of the control period may be different from its projections or estimates made by the Authority at the time of issue of the Consultation Paper). This amount would be taken as the UDF that would have been actually collected under single till by the airport operator had the Authority computed the UDF under single till. Let the actual revenue receipts in the hands of the airport operator, under single till as computed above, be called Ψ 9 Ω

22.23.11 Likewise, the actual revenue receipts in the hands of the airport operator (including UDF), under 40% shared revenue till, would be available and let this number be called Ψ.C Ω

22.23.12 Adjustment to ARR in the next control period: Had the Authority proceeded with the tariff determination under single till, the truing up would have been done as the difference between Ψ 5Ω and Ψ 9Ω, which is in consonance with the ! dz ű K 2 NJ ƛ ű ѐ Ω ă ŀ LJLJNJ 2 ŀ Ŏ K 2 indicated in the Airport Guidelines. This difference would then be added or subtracted (clawed back) from the estimates of ARR for the next control period. For example, if Ψ 9Ω were to be greater than Ψ 5Ω, it would mean that the airport operator has actually received more revenues than what has been his entitlement and what was due to him according to single till. This difference, namely, Ψ 9Ω minus Ψ 5Ω would then be over recovery which would be ploughed back from the ARR computation during the next control period. Similarly, if Ψ 9Ω were to be less than Ψ 5Ω, the difference between Ψ 9Ω and Ψ 5Ω would be negative meaning thereby the airport operator has under recovered for which he would need to be compensated during the next control period by adding this difference to the ARR computations in the next control period.

22.23.13 Adjustment to RAB in the next control period: Adjustments to ARR in the next control period as indicated in Para 22.23.12 above is one component of the true up process. The other component of the true up arises on account of extra UDF paid by the passengers for capital expansion. The number ΨGΩ gives the actual revenue receipts accruing to the airport operator under 40% shared revenue till. The corresponding number under single till, as has been explained above, is Ψ9Ω. The difference between ΨGΩ and Ψ9Ω (which is expected to be positive) is on account of the additional UDF that was determined under 40% shared revenue till. This difference, namely, ΨGΩ minus Ψ9Ω is thus proposed to be reduced from the RAB at the end of the current control period and the net RAB is then proposed to be taken as the opening RAB for the computation of aeronautical tariffs at the end of the current control period.

22.23.14 To summarise, the Authority has computed the Aeronautical tariffs and UDF as per 40% Shared Revenue Till for reasons mentioned above. Table 64 and stylised illustration given in Figure 1 (on page 120) summarise the various steps in the True up process that the Authority would adopt at the end of the current control period. It may be noted that the numbers in Figure 1 (on page 120) are for Illustrative purpose and thus would not exactly tally with the actual computations made by the Authority in its various tables. As has been indicated in the Table 64, the True up process is in two parts: (a) Adjustment to ARR as would have been required had the Authority computed the tariffs under Single Till and (b) Adjustment to RAB required on account of the transfer of resources from passengers to the Airport Operator under 40% Shared Revenue Till.

Table64: Summary explaining the Authority's approach towards truing up

Legends used in this true up process	Brief explanation
A	Estimated ARR (due) computed under Single Till from the Regulatory Building Blocks.
B	Estimated ARR computed under 40% Shared Revenue Till from the Regulatory Building Blocks.
C	Sum total of Aeronautical revenue streams estimated at the time of Projections that are expected to be received by the Airport Operator. (Same for both Single Till as well as 40% Shared Revenue Till. C is less than A or B). C does not include estimated collections under UDF.
UDF	A minus C for Single Till and B minus C for 40% Shared Revenue Till.
D	Trued up ARR due to the Airport Operator under Single Till based on actual value of the building blocks at the end of the control period.
E	Sum of actual Aeronautical Revenues collected plus UDF collection had the UDF rate been based on Single Till (derived from A minus C).
F	Sum of actual Aeronautical Revenues plus actual UDF collected based on the allowed UDF rate determined under 40% Shared Revenue Till.
E ς D	Over Recovery OR Under Recovery to be adjusted in the ARR at the beginning of the next control period.
F ς E	Transfer of Resources from Passengers to Operator to be reduced from the Opening RAB at the beginning of the next control period. (currently estimated at Rs. 160 crore).

Figure1: Stylised Illustration of the proposed True Up Process (Refer Para 22.23 above)

Illustration explaining the methodology of adjustment in the next control period (amounts given are examples)							Amount-	Rs. Cror
		Single Till	40% SRT			Details of changes in Actuals	Single Till	40% SR
		Projected	Projected				Actuals	Actuals
Part A - Building Blocks of Aggregate Revenue Requirement								
ARR ESTIMATES (Projections)					STYLISED TRUE UP (Only changing Non Aeronautical Revenue)			
Fair Rate of Return on Regulatory Asset Base		1500.00	1350.00		Fair Rate of Return on Regulatory Asset Base	Assumed no change	1500.00	
Depreciation		750.00	675.00		Depreciation	Assumed no change	750.00	
Operating Expenditure		1700.00	1360.00		Operating Expenditure	Assumed no change	1700.00	
Taxation		275.00	220.00		Taxation	Assumed no change	275.00	
Non-Aeronautical Revenues		-1300.00	-520.00		Non-Aeronautical Revenues	Increase by Rs. 100 Cr	-1400.00	
Aggregate Revenue Requirement		2925.00	3085.00				2825.00	
		(A)	(B)				(D)	
Estimated Number of Passengers (in Crore)		3.00	3.00		Actual Number of Passengers (i Crore)	Increase in passengers by 10 lacs	3.1	3.1
Part B - Components of Aeronautical Revenues								
REVENUE ESTIMATES (Projections)					STYLISED TRUE UP (Changed for Increase in LPH and Passenger)			
Landing, Parking, Housing fee		1200.00	1200.00		Landing, Parking, Housing fee	Increase by Rs. 100 Cr	1300.00	1300.00
Cargo, Ground Handling, Fuel Farm, Fuel Throughput etc		400.00	400.00		Cargo, Ground Handling, Fuel Farm, Fuel Throughput etc	Assumed no change	400.00	400.00
Other Aeronautical Revenues (Aerobridge, ICT etc.)		100.00	100.00		Other Aeronautical Revenues (Aerobridge, ICT etc.)	Assumed no change	100.00	100.00
Contribution by Aero revenues (C) Same under Single and 40% Shared Revenue Till	1700.00							
UDF (A-C under Single Till, B-C under 40% Shared Revenue Till)		1225.00	1385.00		UDF	Based on Passengers	1265.83	1431.17
TOTAL		2925.00	3085.00		TOTAL		3065.83	3231.17
							(E)	(F)
Estimated incremental UDF under 40% Shared Revenue Till			160.00		Adjustment to RAB - Actual incremental UDF collection 40% Shared Revenue Till over Single Till (F-E).			165.33
					Adjustment to ARR (E-D)		240.83	

22.23.15 As will be noted from Figure 1, on page 120, the estimated transfer of resources from Passengers to the Airport Operator under 40% Shared Revenue Till was estimated at Rs. 160 crores. However if the actual number of passengers increase by 10 lacs (as has been assumed for the sake of illustration in the Figure 1) the actual transfer of resources from the Passengers to the Airport Operator would turn out to be Rs. 165 crore which would be adjusted against RAB.

Proposal No. 20. Regarding Regulatory Till

a Based on the material before it and its review, the Authority proposes

i) To calculate the Aeronautical Tariffs and UDF in respect of Kempegowda International Airport under 40% Shared Revenue Till as per Table 62 for the current control period.

ii) To note that the part of the Non-Aeronautical Revenue which would remain in the hands of BIAL under 40% Shared Revenue Till would be used by BIAL for Capital Expenditure needs towards Airport expansion during the current control period.

iii) To carry out adjustment to ARR for the next control period as indicated in Para 22.23.12 above

iv) To note that the difference between the UDF collected under 40% Shared Revenue Till and Single Till during the remaining part of the current control period is currently estimated at Rs. 160 Crore. To further note that this amount represents the transfer of resources from passengers to the Airport Operator on account of the proposed adoption of 40% Shared Revenue Till to facilitate expansion of airport facilities by BIAL. Hence, adjustments are proposed to be carried out to RAB at the beginning of the next control period as detailed in Para 22.23.13 above

Truing up Proposal No. 12. Truing Up for Proposal No 20

a) Based on the material before it and its review, the Authority proposes

i. To true up the amounts of adjustments for ARR and RAB (detailed in Para iii) and Para iv) of Proposal No 20 based on the recomputed ARR as well as revenues both based on actuals at the end of the current control period.

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24 Stakeholder Consultation Timeline

24.1 In accordance with the provisions of Section 13(4) of the AERA Act 2008, the proposal contained in the Summary of Proposals (Para 23 above) read with the Authority Ω ă l· ,ÿs hereby ă λ ă put forth for Stakeholder Consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed (Annexure - I to VI). For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this 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 decision fully documented and explained in terms of the provisions of the Act.

24.2 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Para 23 above, latest by 17th February 2014 at the following address:

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Yashwant S. Bhave
Chairperson

25 List of Tables