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Consultation Paper No.11/2015-16



Airports Economic Regulatory Authority of India

**In the matter of Determination of Aeronautical Tariffs
in respect of Sardar Vallabhbhai Patel International Airport,
Ahmedabad for the first and second Control Period
(01.04.2011 – 31.03.2021).**

16th March, 2016

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**

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Introduction

- 1.1. Airports Authority of India (AAI) was constituted under the Airports Authority of India Act 1994 ("AAI Act") and came into being on 1st April 1995 by merging erstwhile National Airports Authority and International Airports Authority of India. The merger brought into existence a single organization entrusted with the responsibility of creating, upgrading, maintaining and managing civil aviation infrastructure, both on the ground and air space in the country.
- 1.2. According to AAI, it currently manages 125 Airports, which include 21 International Airports, 8 Custom Airports, 78 Domestic Airports and 18 Civil Enclaves¹. AAI provides Air Navigation Services (ANS) over 28 Lakhs square nautical miles of air space. During the year 2014-15, AAI handled 16 Lakhs aircraft movements, comprising of 3.5 Lakhs international and 12.5 Lakhs domestic movements. Passenger throughput at AAI airports was 789 Lakhs (163 Lakhs international and 626 Lakhs domestic); and during that year, the cargo handled at all AAI Airports was 6.8 Lakhs MT (2.6 Lakhs MT international and 4.2 Lakhs MT domestic).
- 1.3. The functions of AAI as laid down under Section 12 of the AAI Act, *inter alia*, includes:
 - 1.3.1. Design, Development, Operation and Maintenance of international and domestic airports and civil enclaves;
 - 1.3.2. Control and Management of the Indian airspace extending beyond the territorial limits of the country, as accepted by ICAO;
 - 1.3.3. Construction, Modification and Management of passenger terminals;
 - 1.3.4. Development and Management of cargo terminals at international and domestic airports;
 - 1.3.5. Provision of passenger facilities and information system at the passenger terminals at airports;
 - 1.3.6. Expansion and strengthening of operation area, viz. Runways, Aprons, Taxiway etc. and Provision of visual aids; and
 - 1.3.7. Provision of air traffic management system with supportive Communication, Navigation and Surveillance aids, viz. ILS, DVOR, DME, Radar etc.

¹AAI Annual Report 2013-14.

2. Airports Economic Regulatory Authority of India (AERA)

2.1. The Airports Economic Regulatory Authority of India (the Authority) was established under the Airports Economic Regulatory Authority of India Act, 2008, (the AERA Act) to regulate tariff and other charges for aeronautical services rendered at Airports and to monitor performance standards of airports. The AERA Act, 2008 came into force w.e.f. 01.01.2009 and its regulatory functions were notified with effect from 01.09.2009. Pursuant thereto, the Authority has set in motion an open and transparent process, involving extensive stakeholder consultation, to establish its regulatory philosophy and approach as well as to evolve detailed procedures and systems for determination of tariff and monitoring of performance standards.

2.2. The statutory functions of the AERA are enshrined in Clause 13(1)(a), Chapter III of the Airports Economic Regulatory Authority of India Act, 2008, according to which the Authority is required to determine the tariff for the aeronautical services taking into consideration number of factors which have been reproduced here under:

- (i) The capital expenditure incurred and timely investment in improvement of airport facilities;*
- (ii) The service provided, its quality and other relevant factors;*
- (iii) The cost for improving efficiency;*
- (iv) Economic and viable operation of major airports;*
- (v) Revenue received from services other than the aeronautical services;*
- (vi) The concession offered by the Central Government in any agreement or Memorandum of understanding or otherwise;*
- (vii) Any other factor which may be relevant for the purposes of this Act;*
- (viii) Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii).*

2.3. In addition, the Authority is also required to perform certain other functions in respect of major airports as has been laid down in Clause 13(1)(b) to 13(1)(f), Chapter III of the Airports Economic Regulatory Authority of India Act, 2008. These are reproduced as under:

- (a) To determine the amount of the Development Fees in respect of major airports;*
- (b) To determine the amount of the Passengers Service Fee levied under rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934;*
- (c) To monitor the set Performance Standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf;*
- (d) To call for such information as may be necessary to determine the tariff under clause (a);*
- (e) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.*

2.4. The Authority, vide its Order No. 13/2010-11 dated 12.01.2011 (Airport Order) finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulations of Airport Operators. Further, the Authority vide its Direction No. 5/2010-11 dated 28.02.2011, issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators), Guidelines 2011 (Airport Guidelines).

2.5. As per section 2(i) of AERA Act, Major Airport means “*any Airport which has, or is designated to have, annual passenger throughput in excess of one and half million or any other airport as the Central Government may, by notification, specify as such*”. The Authority has mandated the operator of these Major Airports to follow the “*Airport Guidelines*”, issued by AERA while filing their tariff proposals before the Authority for tariff determination.

2.6. As per Airport Guidelines, the Authority is required to determine tariff for the aeronautical services at an airport on the basis of a Multi-Year Tariff Proposal (MYTP) submitted by the Airport Operator for a control period of 5 years. The Authority reviews the proposals submitted by the airport operator and determines the yield per passenger based on its regulatory philosophy. Subsequently the Annual Tariff proposal(s) (ATP) submitted by the Airport Operator (pertaining to the approved yield per passenger) are reviewed and approved.

- 2.7. As per the Airport Guidelines, all Airport Operator(s) were to submit to the Authority for its consideration, a MYTP for the first Control Period, i.e., five year period commencing from 2011-12 in the form and manner specified in the Airport Guidelines within four months of the date of issue of the Airport Guidelines. The last date for submission of the MYTP in terms of the Airport Guidelines was 30.06.2011.
- 2.8. The Authority was conscious about the fact that in the nature of the timelines specified in the Airport Guidelines, it would not be possible to determine the tariff in respect of any of the major airports before 01.04.2011. In this light, the Authority had proposed to permit the concerned airport operators to continue charging the tariffs for aeronautical services provided by them, at the existing rates, in the interim period for which a separate order was issued after suitable Consultation.(Order No. 15/2010-11 dated 24.03.2011).
- 2.9. The Authority also issued separate Order no. 12/2010-11 dated 10.01.2011 and guidelines issued vide Direction no. 04/2010-11 dated 10.01.2011 for Cargo, Ground Handling and Fuel Supply in respect of major airports noting that all three are defined as Aeronautical services under AERA Act.
- 2.10 The Authority had issued its Order No. 13/2010-11 dated 12.01.2011 In the matter of Regulatory Philosophy and Approach in Economic Regulation of Airport Operators (Airport Order) and Direction No. 5/2010-11 dated 28.02.2011 Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff or Airport Operators) Guidelines, 2011 (Guidelines) in respect of its approach towards determination of Aeronautical tariffs. AAI have submitted their MYTP for SVPIA in line with the Airport Order and Guidelines.

3. Sardar Vallabhbhai Patel International Airport (SVPIA)

3.1. The Sardar Vallabhbhai Patel International Airport is one of the airports owned and managed by AAI.

3.2. It is an International Airport serving the cities of Ahmedabad and Gandhinagar in Gujarat, India. It is named after India's first Deputy Prime Minister Sardar Vallabhbhai Patel. Ahmedabad is located on the banks of river Sabarmati, 32 Kms from the state Capital, Gandhinagar. It is the 5th largest city and 7th largest Metropolitan area of India. It is ranked 3rd in Forbes' list of 2010 fastest growing cities

3.3. Ahmedabad Airport is one of the busiest airports in India. It has an Operational area of 774.00 acres and is situated approximately 8 kms away from the main railway station of Ahmedabad. There are two separate terminals, Terminal 1 for domestic flights and Terminal 2 for international passengers Terminal 1 has an area of 29423 sq. mtrs with provision of 23 check-in Counters and 24 bays for Domestic Apron with 4 aerobridges Terminal 2 has an area of 41000 sq. mtrs with provision of 32 check-in counters and 6 bays for international Apron with 2 aerobridges. Both the terminals have a peak hour capacity (800+800) of 1600 **passengers** for arrival and departure.

3.4 The Annual capacity, peak hour capacity and Passenger Throughput at SVPIA for 2014-15, as provided by AAI in their submission dated 19.10.2015 are given in Table 1.

Table 1: - Annual Capacity, Peak hour Capacity and Passenger Throughput (2014-15)

Capacity	Annual Passenger Capacity(in millions)			Peak Hour Capacity (In number)		
	Domestic	International	Total	Domestic	International	Total
Arrival	0.93	0.75	1.68	800	800	1600
Departure	0.93	0.75	1.68	800	800	1600
Total	1.86	1.50	3.36	1600	1600	3200
Passenger Throughput (Actual 2014-15)	3.83	1.22	5.05			

3.5 The SVPIA is a major airport as per the definition given in AERA Act. Accordingly, AERA Guidelines are applicable to this Airport.

4. SVPIA Multi Year Tariff Proposal submitted by AAI

a. First Control Period

4.1. In respect of the first control period, AAI sought extension of timeline for submission of MYTP upto 31.7.2011. Authority agreed to the same and thus, AAI filed its MYTP submissions in respect of SVPIA for the first control period i.e. 2011-12 to 2015-16, vide their letter dated 31.07.2011. Subsequently, AAI filed auxiliary submissions dated 03.07.2013, 04.02.2014, 12.02.2014 and 28.02.2014 and additional justifications/clarifications dated 30.4.2012, 03.07.2013, 02.04.2014, 16.07.2014, 12.12.2014 and 12.02.2015.

4.2. The Authority noted that less than one year was left for completion of the 1st Control Period which is set to expire on 31.03.2016 and as such even if a Consultation Paper is issued, going by the past experience, the tariff Order finalization after due stakeholder consultation process may take at least another 2-3 months and thus the aggregate revenue requirements for the airport would have to be allocated to travelling passengers in the remaining period of the current control period and thereby leading to steep increase in tariffs. The Authority further noted that tariff increase approved earlier for the other AAI Airports had been in the range of 60-80%, when the recovery period was longer but fresh determination of tariff for the 2nd control period, which was due in less than one year, would lead to frequent fluctuation in tariffs, which may best be avoided.

4.3. The Authority, vide its Order No. 14/2014-15 dated 17.04.2015 decided that the tariffs would continue at the existing level pending determination for the first control period and advised AAI to submit Multi-Year Tariff Proposal for the second control period well in time along-with the actual financials of 2014-15.

b. Second Control Period

4.4. AAI has made submissions for the first control period based on actual figures upto the financial year 2014-15 and projections for 2015-16 and 2016-17 to 2020-21 for the first and second control period. In the submissions, AAI submitted that *“the traffic and Financial Statistics for F.Y. 2011-12 to 2014-15 have been received as per actuals and from F.Y 2015-16 to 2020-21 on the basis of projection.”*

- 4.5. As a part of MYTP submission for its Airport Services, AAI submitted key assumptions in respect of SVPIA, including growth rates assumed for various Revenue and Expenditure heads. Based on these assumptions, AAI has submitted the Projected Profit and Loss Account, Balance Sheet and Cash Flow Statement.
- 4.6. The tariff proposal in respect of the airport tariff does not consider the revenues and expenditure on account of the Communication, Navigation, Surveillance / Air Traffic Management (CNS/ATM) services at the airport.
- 4.7. Airport Guidelines also do not include aeronautical services of navigation, surveillance and supportive communication thereto for air traffic management in the tariff determination process. Separate Guidelines for determination of these tariffs are under consideration of the Authority.
- 4.8. AAI has submitted clarification on the depreciation policy, traffic forecasting methodology and details of the capital expenditure incurred and projected to be incurred for the first control period. AAI has also furnished component-wise breakup of the revenue and expenditure and a brief note giving basis of the growth rates assumed and details of the item wise capital cost, along with the expected date of completion of each capital works and their means of finance in respect of SVPIA.
- 4.9. AAI has also informed that the accounts of AAI are audited by C&AG of India as mandated by the AAI Act. The C&AG's resident audit party audits the financial records and statements of AAI's airports, regional/field offices. However the C&AG issue the final Audit Certificate for the AAI as a whole.
- 4.10. The Authority recollects that vide order no. 02/2010-11 dated 18.05.2010 User Development Fee (UDF) was determined for a period of ten years, purely on an ad-hoc basis to be levied at the Sardar Vallabhbhai Patel International Airport, Ahmedabad at the rate of Rs. 110/- (Rupees One Hundred and Ten only) per embarking domestic passenger and Rs. 415/- (Rupees Four Hundred and Fifteen only) per embarking international passenger (exclusive of statutory levies, if any), to be reviewed at the stage of tariff determination cycle, with effect from the date of commissioning of New International Terminal Building.

4.11. It was noted that the airlines are collecting UDF from each embarking passenger through travel tickets on behalf of AAI, effective from 01.09.2010 in respect of SVPIA, Ahmedabad.

5. Regulatory Building Blocks

5.1 The Authority has analysed and determined the Regulatory Building Blocks for calculation of Aggregate Revenue Requirement (ARR) in respect of SVPIA for the current Control Period.

5.2 The ARR for the current Control Period has been calculated based on the following Regulatory Building Blocks with reference to the submissions made by AAI:

5.2.1 Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB);

5.2.2 Operation and Maintenance Expenditure (O);

5.2.3 Depreciation (D);

5.2.4 Taxation (T);

5.2.5 Revenue from services other than aeronautical services (NAR). Revenue from services other than aeronautical services (NAR) is meant to include revenues in the hands of the airport operator from services other than those captured under aeronautical revenue.

5.3 The ARR under Single Till for the Control Period will be calculated as under: $ARR = \sum_{t=1}^5 (ARR_t)$ and

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

Where

5.3.1 T is the Tariff Year in the Control Period;

5.3.2 ARR_t is the Aggregate Revenue Requirement for year t;

5.3.3 FRoR is the Fair Rate of Return for the control period;

5.3.4 RAB_t is the Regulatory Asset Base for the year t;

5.3.5 D_t is the Depreciation corresponding to the RAB for the year t;

5.3.6 O_t is the Operation and Maintenance Expenditure for the year t, which include all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandate operating costs;

5.3.7 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 ; and

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

5.4 The detailed submissions made by AAI in respect of the Initial Regulatory Asset Base (RAB), project cost, Roll Forward Regulatory Asset Base (RAB), and other items of the Regulatory Building Blocks have been discussed in the subsequent sections.

6. Initial Regulatory RAB

6.1. As per clause 5.2.4 of Airport Guidelines, the initial RAB is to be calculated taking into consideration the original cost of fixed asset, accumulated depreciation, accumulated capital receipts, subsidies or user contribution and adjustment for value of the land, excluded from the scope of RAB.

Table 2 Calculation of initial RAB as on 1st April 2011 and 1st April 2016 as per AAI Submission (Rs. In crore)

S. No.	Particulars	Amount (2011)	Amount (2011)	Amount (2016)	Amount (2016)
1	Original Cost of Airport Assets excluding CNS/ATM related assets		577.04		577.04
2	Addition during the first control period			31.29	
3	Disposal during 1 st control period			.03	
4	Cost of Airport Assets [(1)+(2)-(3)]				608.30
5	Accumulated Depreciation	(190.57)		422.11	
6	Accumulated Capital Receipts of the nature of contribution from stakeholder	(NIL)		(NIL)	
7	Assets Value Adjustment for assets excluded from the scope of RAB	(NIL)		(NIL)	
8	Land Value Adjustment for assets excluded from the scope of RAB	(NIL)		(NIL)	
9	Total(5+6+7+8)		(190.57)		(422.11)
10	Initial RAB[(4)-(9)]		386.47		186.19

6.2. The Roll forward details submitted by AAI are indicated in Table 8.

6.3. Authority notes that ANS (CNS/ATM) Assets had already been deducted from the gross value of fixed assets to arrive at the cost of the Airport Assets as on 01.04.2011. As per AAI, initial RAB was calculated Rs.386.47 crores and Rs. 186.23 for the first and second control period respectively.

6.4. The Authority notes that Initial RAB undervalued since higher depreciation rates have been changed by AAI during earlier periods.

6.5. The Authority proposes to adopt depreciation rate of 3.33% based on useful life of 30 years for the specific assets of terminal building, runway, taxiway and apron added during the first and second control period in respect of SVPIA, Ahmedabad (refer para no 8.10 below). In view of this change, depreciation gets reduced from Rs. 422.11 Crs to Rs. 349.53

Crs and the opening RAB at the beginning of the second control period would increase to Rs. 258.76 Crs as given in the following table.

Table 3 Calculation of initial RAB as on 1st April 2011 and 1st April 2016 as per the Authority (Rs. In crore)

S. No.	Particulars	Amount (2011)	Amount (2011)	Amount (2016)	Amount (2016)
1	Original Cost of Airport Assets excluding CNS/ATM related assets		577.04		577.04
2	Addition during the first control period			31.29	
3	Disposal during 1 st control period			.03	
4	Cost of Airport Assets [(1)+(2)-(3)]				608.30
5	Accumulated Depreciation	(190.57)		349.53	
6	Accumulated Capital Receipts of the nature of contribution from stakeholder	(NIL)		(NIL)	
7	Assets Value Adjustment for assets excluded from the scope of RAB	(NIL)		(NIL)	
8	Land Value Adjustment for assets excluded from the scope of RAB	(NIL)		(NIL)	
9	Total(5+6+7+8)		(190.57)		349.53
10	Initial RAB[(4)-(9)]		386.47		258.77

Proposal No. 1. Regarding initial RAB

1.a. The Authority proposes to consider the initial RAB at the beginning of the first and second control period as on 01.04.2011 and 01.04.2016 at Rs. 386.47 and Rs. 258.77 crore respectively for SVPIA as per Table 3.

7. Capital Expenditure

a. First control period

7.1. The submissions of AAI on various capital expenditure for the first control period are as follows;

Table 4 Cost of various Capital Works at SVPIA for first control period as per AAI (Rs. in crore)

S. No.	Particulars	Year of Capitalisation	Amount	Amount
				Rs. in crores
1	Expenditure related to Terminal Building and other allied works (Dog kennel, terminal furniture, ladder etc.)	2011-2014	8.36	
2	Fixed Information Display System	2011-12	0.38	
3	Digital Public Address System	2011-12	0.60	
4	750KVA DG Set (SITC)	2013-14	1.00	
5	Departure Baggage Conveyer System	2012-13	1.08	
6	Electrical Installations for taxiway	2014-15	1.12	
7	Works related CISF Barracktype accommodation	2015-16	7.12	
8	Construction of Administrative office complex	2015-16	11.63	
Total Project Cost (1+2+3+4+5+6+7+8)				31.29

7.2. The Authority noted that out of total capex of Rs. 31.29 crores for the first control period, capital works amounting to Rs.18.75 crores would be incurred during the year 2015-16 i.e. the last year of the current control period. The Authority also noted that Rs.11.63 crores was allocated for Expenditure related to Integrated Office Complex and Rs. 7.12 Crs. towards CISF barrack.

b. Second control period-

7.3. During the course of discussions with AAI, it was clarified that the present terminal got saturated in 2007-08 as per the traffic data and IMG Norms. A New domestic terminal of 40,000sqm (approx.) is being planned for peak hour passenger movement of 2,000 and till such time the new terminal is constructed, certain modifications and additions in the existing international terminal building has been made to offer better facilities to the passengers by providing additional six check-in-counters, increase in the baggage claim belts from 3 to 4 and increase in the concessionaire shops in the security hold area

- 7.4. Vide submissions dated 22.02.2016, AAI submitted that Airport policy envisages Airport Infrastructure to provide airport capacity ahead of demand, in order to handle an increasing volume of air traffic and to garner the maximum share of traffic so as to enhance airport facilities to make the airport user friendly and achieve higher level of customer satisfaction along-with safety and security of airport operations. The methodology and standard adopted by AAI for assessing terminal capacity have been made as per the report of the Inter Ministerial Group: Norms and Standards for determining Capacity of Airport Terminals located at http://www.aai.aero/img_norms/IMG_Norms1.pdf. The existing domestic and international terminal area is designed for peak hour capacity of 1600 each passengers at a time and the annual capacities have been derived as per IMG norms
- 7.5. The Proposed Project at SVPIA includes Apron expansion for new terminal, construction of domestic terminal building, construction of operational boundary wall on the cantonment side, development of cargo complex and provision of 02 Passenger Boarding Bridges (PBB).The Total capital expenditure amounts to Rs.506.40 crores.
- 7.6. The Authority has noted that the above capital works cost includes Rs. 25.00 crore towards Expenditure related to Apron expansion of new terminal, Rs. 375.00 crore towards the expenditure related to construction of domestic terminal building, Rs. 25 crores for modification of Terminal-II for integrated use, Rs.2.00 crore towards the expenditure related to construction of operational boundary wall on the cantonment side, Rs. 25.00 crores for construction of parallel taxi track, Rs.25.00 crore towards the expenditure related to development of cargo complex and Rs.5.40 towards expenditure related to provision of 02 PBB (electrical installation), Expenditure related to Densification/Construction of AAI Staff Quarters (for release of land for commercial purpose)together constituting the total CAPEX as 506.40 crores.
- 7.7. The details of expenditure on capital works of AAI for the second control period are as follows:

Table 5: Cost of various Capital Works at SVPIA for second control period as per AAI (Rs. In crore)

S. No.	Particulars	Year of Expenditure	Amount (in crores)	Amount
1	Expenditure related to Terminal Building (NITB T-2)	2017-18	100.00	
		2018-19	200.00	
		2019-20	75.00	
	Total			375.00
2	Expenditure related to New Apron	2017-18	5.00	
		2018-19	10.00	
		2019-20	10.00	
	Total			25.00
3	Expenditure related to Passenger Boarding Bridge (PBB)	2016-17	5.40	
	Total			5.40
4	Expenditure related to Densification/Construction of AAI Staff Quarters (for release of land for commercial purpose)			
		2020-21	24.00	
	Total			24.00
5	Expenditure related to Extension of Parallel Taxi Track	2017-18	5.00	
		2018-19	10.00	
		2019-20	10.00	
	Total			25.00
6	Expenditure related to Construction of New Cargo complex	2017-18	5.00	
		2018-19	10.00	
		2019-20	10.00	
	Total			25.00
7	Expenditure related to Construction of operational boundary wall on the cantonment side	2016-17	2.00	
	Total			2.00
8	Modification of Terminal-II Building for integrated use	2018-19	25.00	
	Total			25.00
Total Project Cost (1+2+3+4+5+6+7+8)				506.40

7.8. The Authority notes that major project among these is the construction of new domestic terminal building costing Rs. 375 crores which is likely to be completed in tariff year 2019-20 , i.e fourth tariff year of the control period.

7.9. Discussions were held with AAI regarding the justification of the major capital works, proposed to be undertaken by AAI during the second control period. Subsequently, vide submissions dated 23.12.2015, 05.01.2016 and 11.01.2016 AAI furnished the following

clarifications respect to the capital works which are proposed to be undertaken during the control period:

7.9.1. CONSTRUCTION OF DOMESTIC TERMINAL BUILDING

The existing Domestic Terminal Building 31000 sqm is capable of handling 1600 peak hour passengers at any given time. During the year 2014-15, the building handled 3.83 mppa passengers. The building can cater to passenger traffic upto the year 2017-18. Accordingly, to meet the growing traffic demand a new Domestic Terminal to cater for additional 2000 peak hour domestic passengers (1000A+1000D) is proposed to be constructed towards west of existing International Terminal Building. There is a proposal to join the Existing International and proposed Domestic Terminal.

Salient features of the Proposal

- i. The proposed new Terminal building is required to have an area @20sqm per person. In addition to that, space is to be provided for City side kerb, Baggage break down and Make up area, aerobridges etc. Built up area shall be approximately 40,000 sqm. Covered connecting corridor to be provided from Car Park area to the Terminal Building.
- ii. City Side and Air Side Canopy to be provided for weather protection.
- iii. Augmentation of existing Car Park to accommodate additional 1500 cars/matching building capacity.
- iv. Utility buildings such as AC plant Room, Electric Station etc.

7.9.2. APRON EXPANSION FOR NEW TERMINAL BUILDING

At present, the Apron for Domestic Terminal Building and International Terminal Building are located away from each other and not connected. The new Domestic Terminal Building is proposed in between the two existing terminals by demolishing old Terminal Building where the APD(Airport Director) office is presently located. The location of the proposed new domestic terminal building is such that there is no apron along with the proposed terminal. In order to provide in-contact facility, a new Apron is proposed to be constructed in line with the design peak hour of the proposed Domestic Terminal Building including night parking and delayed flight facilities.

The Apron along with shoulders proposed in front of the proposed Terminal is to be extended towards the west side of the existing International Apron. The Apron is planned to be constructed to cater for parking of Code E/Code C Type of aircrafts with both in-contact and remote stands along with GSE area of suitable size.

7.9.3. PASSENGER BOARDING BRIDGES FOR INTERNATIONAL TERMINAL

The existing International Terminal Building is having 4 nos. fixed arm with rotunda and only 2 aerobridges are available. The proposal for provision of additional 2 aerobridges has been sanctioned and tenders have been invited for the work.

7.9.4. DENSIFICATION OF AAI COLONY

The existing AAI residential colony is located on the western side of main Runway and is spread over an area of 46 acres (approx.). The existing colony has 164 nos. of quarters in different categories. The quarters are very old and are presently occupied. The existing quarters are only two storeyed in height and spread over large area. The densification of residential colony is considered only after the area already identified (45 acres) is utilized for commercial development.

7.9.5. EXTENSION OF PARALLEL TAXI TRACK

At present, only part parallel taxi track is available to reach International Apron. The balance length (2200m) of parallel, taxi track cannot be constructed due to non-availability of land. About 67.29 acres of land is required to construct the full length of parallel taxi track. AAI has already projected the land requirement to State Govt. in the year 2006 and the land is likely to be made available to AAI. The parallel taxi track is essentially required to increase the operational efficiency of the Runway. With the provision of full length parallel taxi track and RETs, aircraft will be able to vacate the Runway in minimum time, thereby increasing the operational efficiency.

7.9.6. MODIFICATION OF TERMINAL - II FOR INTEGRATED USE

The existing International Terminal with an area of 39000 Sqm was designed to handle 1600 passengers at any given time. , At present, there are 196 International movements in the early morning and late night hours. The International Terminal Building remains under utilised during the day time, however, the services need to be kept operational to serve the International flights. In order to optimise the utilisation of International

Terminal Building, it was decided to shift Domestic operations of full service carriers such as Air India and Jet Airways, as it will benefit the airlines also by consolidation of staff at one location. The proposal can be implemented after suitable changes to facilitate integrated operations. The proposal will be taken up after discussions with stakeholders and traffic demand.

7.9.7. CONSTRUCTION OF NEW CARGO COMPLEX

At present, the Belly Cargo is being handled by individual airlines through their cargo sheds located across the Domestic Apron. The Gujarat State Industrial Corporation (GSIC) has constructed International Cargo Terminal adjacent to Domestic Apron. AAI has allotted space to M/s FEDEX in old International Terminal Building to carry out International Cargo operations. As per the latest policy, AAI is exploring the possibility to spread and capture cargo business at all major airports. In view of the above, the proposal for construction of new Cargo Complex is under consideration subject to Feasibility Study and Cargo Potential Analysis.

Authority's Examination

7.10. As per the Airport Guidelines, the assets related to mandated security expenditure as laid down by the Government/ Bureau of civil Aviation Security (BCAS), at the time of development of a brown field or green field airport shall form part of the project cost and shall be included in the initial RAB. However, any incremental capital expenditure on the security related assets shall be met out of Passenger Service Fee (PSF). Accordingly, in normal course any additional (incremental) capital expenditure on security related assets would not be included in RAB but debited to the PSF account.

7.11. MoCA has issued an order no.AV13024/03/2011-AS (pt.I) dated 18.02.2014 on permissibility of expenditure out of Passenger Service Fee (Security component) Escrow Accounts. According to this order, PSF (SC) funds are meant only for meeting revenue expenditure regarding security (namely deployment of CISF and other security forces at the airport). The total capital expenditure incurred by the airport operators out of the PSF (SC) Escrow account opened and maintained by the respective airport operators in fiduciary capacity together with the interest, has to be reimbursed back to the respective Escrow accounts.

User Consultation

7.12. The Authority had in Clause A1.3.1 of its Airport Guidelines stated that the Airport Operator shall undertake user consultation with Airport Users Consultative Committee (AUCC) on major capital projects planned at the airport. Major projects have been classified under following two categories, for the effectiveness of the consultation process:

Table 6: User Consultation as per Airport Guidelines

Project Category	Lower Value Limit	Upper Value Limit
Category 1	Minimum of (5% of opening RAB value for first year of the Control Period, Rs.50 crore)	Minimum of (10% of opening RAB value for first year of the Control Period, Rs.500 crore)
Category 2	Minimum of (10% of opening RAB value for first year of the Control Period, Rs.500 crore)	No Upper Limit

7.13. The Authority notes that first control period is due for expiry by a few months and that there was no project covered in “5% of Opening RAB or Rs. 50 crore whichever is lower”, so Authority noted that there was no need of any User Consultation in the first control period. However, in the second control period, project works amounting to Rs. 375 crores towards construction of domestic terminal building are proposed to be taken up. This requires user consultation as per the Guidelines. The Authority expects AAI to provide all the required project information as a part of the consultation process with Users which normally begins at the need identification stage after an outline of a major project is conceived so that the effective input of the Users can be considered before taking up the planned work. Since this is a major addition to the regulatory asset base and makes a significant impact on the tariffs, the Authority would review this aspect and in case no tangible progress is made by 2018-19 towards commencement of the terminal building, the Authority may revisit the tariff(s) specially, the UDF component.

7.14. The Authority notes that the expenditure on construction of staff quarters allocated in the capex is only for the residents deployed in airport services only which is 60% of the total cost.

- 7.15. The Authority notes that for the work of parallel taxi track at SVPIA, there is a need to acquire land to the extent of 67.29 acres.
- 7.16. The Authority also notes that there are Independent Service Providers for cargo facility services at Ahmedabad airport catering general and perishable cargo. Besides, Gujarat Agro Industries Corporation (GAIC) a Govt. of Gujarat Undertaking, in coordination with APEDA, created a facility center for perishable and temperature sensitive cargo on land leased from AAI to encourage handling of agricultural and processed food products.
- 7.17. The Authority notes that cost of terminal building depends, *inter-alia*, the type of building, sculptures, finishing with flooring and ceiling etc. In view of large scale variation in cost from one airport to other, the Authority is of the view that the airport operators need to select the type of finishes after ascertaining relative merit and cost benefit on the alternative plans for the terminal building as the anticipated cost of such building is to be borne by the users.
- 7.18. The Authority notes that an expenditure of Rs. 24 crores has been proposed for densification of staff quarters. AAI may provide the plan and the revenue generated in the second control period from the area earmarked for commercial exploitation.
- 7.19. The Authority notes that the cost of the planned works is indicative. The Authority expects that the final cost be arrived at based on CPWD rates for scheduled items and market rates or a standard methodology is taken as basis for non-scheduled items.
- 7.20. The Authority issued consultation Paper no. 05/2014-15 dated 12.06.2014, in the matter of Normative Approach to Building Blocks in Economic Regulations of major airports, in response to which AAI proposed for a normative design for the airports so as to ease out the benchmarking in terms of cost of construction. The Authority notes that the present terminal building for international operations at SVPIA is under-utilised and as such expects AAI to explore the ways to improve capacity utilisation.

Proposal No. 2. Regarding Project Cost

2.a. The Authority proposes to consider allowable project cost of Rs.506.4 and accordingly to reckon the amount of Rs. 506.40 crore as addition to RAB during the second control period.

2.b. The Authority directs AAI to consult the users that the construction of domestic terminal building at a cost of Rs. 375 crore as per the Guidelines.

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

1.a. *The Authority proposes that depending on the capex incurred and timing thereof (i.e. the date of capitalisation of the underlying assets in a given year) the Authority will make appropriate adjustments to the RAB at the beginning of the next control period for 2015-16 and the entire second control period of 2016-17 to 2020-21.*

8. Depreciation

8.1. As per Clause 5.3.3 of the Airport Guidelines, the minimum residual value of the asset shall be considered as 10% and depreciation shall be allowed up to a maximum of 90% of the original cost of the asset.

8.2. As per clause 5.2.5(e) of the Airport Guidelines, for projecting depreciation on forecast of assets to be commissioned or disposed-off during a control period, it shall be assumed that such assets have been commissioned or disposed off half way through the tariff year and Depreciation related to such assets shall be calculated on pro-rata basis.

8.3. AAI have stated that the assets are reflected in the proposal part of the Initial RAB and the accumulated depreciation of these assets are as per the figures reflected in the audited accounts of SVPIA, which are subject to the scrutiny of C&AG. It has been stated that AAI is following the straight line method for depreciation and depreciation rate applied to various assets is as per AAI's approved accounting policy considering the useful life of the assets. The salient aspects of AAI's depreciation policy being followed are as under:

8.3.1. Method of Depreciation-Straight Line Method;

8.3.2. Charging of Depreciation at 100% in case assets are used in a financial year for 180 days or more. If the assets are used for less than 180 days in a year the Depreciation will be charged at 50%. This policy is effective from the financial year 2012-13. Up to 2011-12, for addition to fixed assets, depreciation was provided for full year irrespective of month of capitalization and no depreciation was provided in the year, the asset is disposed off;

8.3.3. Residual value for each asset to be taken as Re.1 balance to be provided by way of depreciation as per prescribed rates, AAI have amended the Depreciation policy in F.Y 2012-13 made effective from F.Y 2012-13.

8.4. In this regard it is observed that the AAI's accounts are maintained as per the provisions of the Section 28 (1) of the AAI Act, which states that

(i) The Authority shall maintain proper accounts and other relevant records and prepare an annual statement of accounts including the profit and loss account and the balance-sheet in such form as may be

prescribed by Central Government in consultation with the Comptroller and Auditor-General of India”

8.5. Further as per Section 28(4) of the AAI Act,

(ii) “The accounts of the Authority as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before both Houses of Parliament.”

8.6. AAI has stated that historically, AAI’s financials have been prepared and maintained at a consolidated level across all the airports operated by it. AAI, for the purpose of submission of current MYTP for the first control period, have re-casted their historical balance sheet and historical Profit and Loss account and cash flow statements. Further, AAI have also clarified that the books of accounts of AAI are audited by C&AG of India as mandated under the AAI Act. The C&AG’s resident audit parties audit financial records and statements of AAI’s airports, region/field offices. However, C&AG issue the Audit Certificate for the AAI as whole.

8.7. The Authority notes that the Depreciation Policy of AAI (depreciation to be provided for full year, if the assets are used for 180 days or more. 50% depreciation to be provided if the asset are used for less than 180 days in a year. The residual value for each asset to be Re.1 is not in accordance with the Airport Order and Airport Guidelines. However, AAI is a statutory body established under the AAI Act. The Board of AAI has approved the Depreciation policy that has been adopted by AAI. AAI’s format of accounts have been formulated in consultation with the C&AG, who also conducts audit of the books of accounts of AAI as mandated under the AAI Act. The C&AG have not commented adversely on the depreciation methodology adopted by AAI. Further, accounts of the AAI, certified by the C&AG, together with the audit report are laid before the Parliament. The Audited final Accounts of AAI for the FY 2014-15 including the AAI’s Accounting Policy and the Audit Report of the C&AG will be available on the website of AAI (www.aai.aero).

8.8. The Authority has been of the view that it would be preferable to have, as far as practicable, a broad year to year consistency in calculation of depreciation. The Authority observes that Depreciation is non-cash expenditure and it reflects the reduction in the value of assets (reflected in the difference between the Gross Block and the Net Block) and

accordingly considered as eligible as a part of RAB and return thereof. The Authority believes that adoption of applicable depreciation rates as prescribed under the Companies Act at any point of time is appropriate considering the variation in policies adopted by the airport operators. The Authority further notes that there is no specific mention of the classes of assets viz. terminal building, apron, taxiway and runway in the Companies Act 2013 or 1956 or even in the Income Tax Act 1961.

8.9. In this regard, the Authority has separately commissioned a Study to determine appropriate rates of depreciation to be adopted for the regulation of the airports in line with the provision of the Companies Act 2013. The Authority will consider the recommendations from the Study, and take an appropriate decision for adjustment in RAB or true up in the next control period.

8.10. In the light of above, the Authority proposes to consider the depreciation values on additions as per the certification of AAI with the exception of the depreciation rate considered for the assets of terminal building, runway, taxiway and apron in respect of both first and second control periods. For these categories of assets where no specific useful life span has been mentioned, the Authority proposes to adopt the depreciation rate based on the useful life of such assets. The tariffs for the airports operators (DIAL, MIAL, BIAL and HIAL) have been determined in the same principle for the airports located at Delhi, Mumbai, Bengaluru and Hyderabad. The Authority thus proposes to adopt a rate of 3.33% based on useful life of 30 years for the specific assets of terminal building, runway, taxiway and apron added during the first and second control period in respect of SVPIA, Ahmedabad. The Authority notes on other assets also the depreciation charged by AAI is not in line with the Companies Act 2013. AAI needs to study this aspect and adopt a policy on depreciation to align its rates with those specified with the Companies Act 2013 in due course. The regulated Asset base is restated to the extent of the Impact of depreciation, being the difference in the amount depreciation as per AAI with that of the amount of depreciation as per Authority.

8.11. The impact of depreciation in RAB for the first and second control period are given below:

Table 7: Authority's consideration on depreciation on RAB for the first and second control period(Rs. In Crores)

1st control period							
	Details	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	As per AAI	47.49	47.32	46.65	45.09	44.98	231.53
	As per Authority	32.41	32.28	31.88	30.71	31.69	158.97
2nd control period							
	Details	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	As per AAI	41.95	36.38	32.57	62.43	92.97	266.3
	As per Authority	30.98	25.98	23.09	30.86	44.05	154.96

8.12. However, the Authority proposes to true up the depreciation considered for the second control period based on the outcome of the study commissioned to suggest appropriate rates of depreciation on the specific assets to be adopted for the regulation of the airports in line with the provision of the Companies Act 2013. This aspect may be noted by AAI while making MYTP for other airports and for future control period. Since depreciation rate adopted are different, the value of assets in the books of AAI would be different from the value of assets adopted for regulatory asset base. AAI may submit reconciliation statement based on the P&L Account and Balance Sheet and for regulatory purposes.

Proposal No. 3. Regarding treatment of Depreciation

3.a. The Authority proposes to consider the depreciation values on additions as per the certification of AAI with the exception of the rate considered for the specific assets of terminal building, runway, taxiway and apron for the first and second control periods.

3.b. The Authority proposes to adopt a rate of 3.33% based on useful life of 30 years for the specific assets of terminal building, runway, taxiway and apron added during the first and second control period.

Truing Up: 2. True up for Proposal No. 3 above

2.a. The Authority proposes to true up the depreciation considered for 2015-16 and entire second control period based on the outcome of the study commissioned to suggest

appropriate rates of depreciation on the specific assets to be adopted for the regulation of the airports in line with the provision of the Companies Act 2013.

9. Roll Forward of RAB

9.1 The actual roll forward RAB for the tariff years 2011-12 to 2015-16 of the first control period for the purpose of arriving at the forecast and Roll forward RAB for SVPIA for the second Control period and the Average RAB for Return purposes, the following has been considered by AAI in the tariff proposal:

9.1.1. Initial opening RAB as of 01.04.2011 is of 386.4 crore RAB (book value of the assets at the beginning of second control period the estimated closing which is the initial i.e. as on 01.04.2016) was Rs. 186.20crore.

9.1.2. Capital works for the second control period is Rs.481.40 crore in a phased manner for Airport Services.

9.1.3. the depreciation values on additions as per the certification of AAI

9.2. As per submission of AAI, the following are the summary of the initial and Roll forward RAB for SVPIA (Airport Services) as under:

Table 8: Summary of the forecast and Roll forward RAB and Depreciation for SVPIA (Airport Services) as per AAI (Rs. In crore)

1st control period						
	Details	2011-12	2012-13	2013-14	2014-15	2015-16
A	Opening RAB	386.47	344.50	300.35	255.24	212.43
B	Additional Assets capitalized during the year	5.52	3.20	1.54	2.28	18.75
C	Disposals/Transfers	0.00	0.03	0.00	0.00	0.00
D	Depreciation	47.49	47.32	46.65	45.09	44.98
E	Closing RAB(A+B-C-D)	344.5	300.35	255.24	212.43	186.20
	Average RAB (A+E)/2	365.49	322.43	277.80	233.84	199.32
2nd control period						
	Details	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening RAB	186.20	151.64	115.27	82.69	495.26
B	Additional Assets capitalized during the year	7.40	0.00	0.00	475.00	24.00
C	Disposals/Transfers	0.00	0.00	0.00	0.00	0.00
D	Depreciation	41.95	36.38	32.57	62.43	92.97
E	Closing RAB(A+B-C-D)	151.64	115.27	82.69	495.26	426.29

	Average RAB (A+E)/2	168.92	133.46	98.98	288.98	460.78
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9.3. The Authority examined the details of the asset capitalization projected by AAI. It is noted that according to AAI's submission in the present determination process, assets in respect of Aeronautical services other than CNS/ATM services have been considered. Thus, additions to fixed assets on account of CNS/ATM Services are excluded from RAB for the present exercise of aeronautical tariff determination of SVPIA.

9.4. The Authority proposes to adopt a rate of 3.33% based on useful life of 30 years for the specific assets of terminal building, runway, taxiway and apron for the first and second control period to bring out uniformity and consistency in its approach for depreciation. Accordingly, the Initial and Roll forward RAB for SVPIA (Airport Services) has been determined / estimated for the first and second control period respectively.

9.5. The Authority also proposes to true up the Roll Forward RAB for the second control period based on the outcome of the recommendations of the commission set up for determining the useful life of airport specific assets and depreciation thereon.

9.6. The Authority notes that assets amounting to Rs. 450 crores are proposed to be added on the specific assets viz. Terminal building, Taxiway and Apron and the depreciation thereon has been estimated for 2019-20 and 2020-21 based on useful life of the assets. The terminal building assets consists of civil structure and electrical systems on which depreciation has been estimated appropriately.

9.7. Thus, the summary of forecast and Roll forward RAB for SVPIA as per the Authority for the first and second control period with the above consideration for depreciation allowable on the specific assets are as follows;

Table 9: Summary of forecast and Roll forward RAB and Depreciation for SVPIA (Airport Services) considered by the Authority for first control period (Rs. In crore)

1st control period						
	Details	2011-12	2012-13	2013-14	2014-15	2015-16
A	Opening RAB	386.47	359.59	330.48	300.14	271.71
B	Additional Assets capitalized during the year	5.53	3.20	1.54	2.28	18.75

1 st control period						
	Details	2011-12	2012-13	2013-14	2014-15	2015-16
C	Disposals/Transfers	0.00	0.03	0.00	0.00	0.00
D	Depreciation	32.41	32.28	31.88	30.71	31.69
E	Closing RAB(A+B-C-D)	359.59	330.48	300.14	271.71	258.77
	Average RAB (A+E)/2	373.03	345.04	315.31	285.93	265.24

Table 10: Summary of forecast and Roll forward RAB and Depreciation for SVPIA (Airport Services) considered by the Authority for second control period (Rs. In crore)

2 st control period						
	Details	2015-16	2016-17	2017-18	2018-19	2020-21
A	Opening RAB	258.77	235.19	209.21	186.12	630.26
B	Additional Assets capitalized during the year	7.40	0.00	0.00	475.00	24.00
C	Disposals/Transfers	0.00	0.00	0.00	0.00	0.00
D	Depreciation	30.98	25.98	23.09	30.86	44.05
E	Closing RAB(A+B-C-D)	235.19	209.21	186.12	630.26	610.21
	Average RAB (A+E)/2	246.98	222.2	197.67	408.19	620.24

9.8. **The** Authority proposes to true up the Roll forwarded RAB of 2015-16 of first control period and 2016-17 to 2020-21 of the second control period on actual asset addition, at the time of determination of tariff for the third control period.

Proposal No. 4. **Regarding Roll forward RAB**

4.a. Authority proposes to consider Roll Forward RAB as given in Table 9 and Table 10 above for the purpose of determination of tariffs for aeronautical services at SVPIA in the current control period.

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

3.a. The Authority proposes to true up the average RAB of 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period based on the actual date of capitalisation of the assets at the time of determination of tariff for the third control period.

10. Traffic Forecast

10.1. As per the Airport Guidelines, the airport operator is required to submit traffic forecasts as part of the MYTP submissions. The Airport Guidelines further provide that the Authority would reserve the right to review such forecast assumptions, methodologies and processes to determine the final forecast to be used for determination of tariffs. The Guidelines further state that the Authority will also use forecast correction mechanism if the actual traffic turns out to fall outside the prescribed bands with the upper and lower band percentages being equal. As part of the tariff determination process, the Authority would require Airport Operators to provide proposals for the values of the upper and lower bands, support of evidence for the rationale of such bands and will review the operation of the bands and determine the final bands for tariff determination. As per the Guidelines (Clause 6.15.2), any variation outside these bands will be shared equally between the Airport Operator and users.

10.2. AAI has submitted a note on traffic forecast methodology. As per their submission, passenger growth rates assumed is as per the forecast made by Corporate Planning and Management System (CPMS) department of AAI taking into account econometric analysis, regression analysis pertinent economic factors and policy framework etc. The growth rate as submitted by AAI in the tariff proposal for SVPIA is as follows:

Table 11: Traffic Growth rates assumed by AAI

Particulars	Growth rates adopted (%) from 2014-15 to 2015-16		
	International	Domestic	Combined
Air Traffic Movement(ATM)	8%	6%	6.42%
Passenger	10%	7%	7.72%
Cargo	9%	11%	10%
Particulars	Growth rates adopted (%) from 2015-16 onwards		
	International	Domestic	Combined
Air Traffic Movement(ATM)	8%	6%	6%
Passenger	10%	7%	8%
Cargo	9%	11%	10%

10.3. As per the traffic statistics available on the website of AAI, the percentage change in traffic for the period April 2013 to March 2014 as compared to the corresponding period April 2012 to March 2013 is as follows:

Table 12: Actual Traffic Statistics as per the website of AAI

Particulars	April 2014-March 2015			April 2013- March 2014			Actual Growth Rate (%)
	Intl	Dom	Total	Intl	Dom	Total	
Total Aircraft Movement (No's)	8176	30621	38797	7542	34687	42229	-8.13%
Total Passenger (No's)	1216236	3834197	5050433	997771	3566454	4564225	10.65%
Cargo (Tonnes)	17527	41786	59313	15705	35932	51637	14.87%

10.4. The Authority calculated CAGR (Compounded Annual Growth Rate) for ATM, Passenger movements and Cargo Movements over the period 2004-05 to 2014-15 (10 years CAGR) for SVPIA is as under:

Table 13: CAGR 2004-05 to 2014-15 (10 Years) for SVPIA

CAGR 2003-04 to 2013-14	International	Domestic	Combined
ATM	8.06%	10.65%	10.05%
Passenger	12.54%	15.39%	14.63%
Cargo	21.33%	11.43%	13.52%

10.5. It is noted that the percentage increase in traffic forecast factored in by AAI in the tariff proposal for ATM is lower than the CAGR for SVPIA over the period 2004-05 to 2014-15 (for 10 years). Similarly, in case of Passenger growth and Cargo Movements the forecast factored in by AAI is also lower than the CAGR over the same period of 10 years.

10.6. The Authority noted that according to its general method of forecasting of traffic, it takes the last 10 years average growth and makes a forecast for the next five years taking the mean of the CAGR of the past 10 years and the forecast as provided by the Airport operator.

10.7. In order to make a realistic projection, Authority proposes to estimate the growth as the average of 10 year CAGR and projection made by AAI for its MYTP for the 2nd control period.

Table 14: Traffic Growth Rate- calculated as the Average of growth projected in MYTP and 10 year CAGR

Particulars	ATM			PAX			Cargo		
	AAI Forecast	CAGR 10Y	Avg. of AAI and CAGR	AAI Forecast	CAGR 10Y	Avg. of AAI and CAGR	AAI Forecast	CAGR 10Y	Avg. of AAI and CAGR
International	8.00%	8.06%	8.03%	10.00%	12.54%	11.27%	9.00%	21.33%	15.17%
Domestic	6.00%	10.65%	8.33%	7.00%	15.39%	11.20%	11.00%	11.43%	11.22%
Combined	6.00%	10.05%	8.03%	8.00%	14.63%	11.32%	10.00%	13.52%	11.76%

10.8. The Authority therefore proposes to adopt growth forecast of 8.03% for ATM and 11.32% for Passengers and 11.76% for cargo including the separation with respect to domestic and international sectors as above.

10.9. Further, The Authority also proposes that traffic projection may be considered for truing up based on actual growth achieved during the current control period at the time of determination of tariff for third control period.

Proposal No. 5. Regarding Traffic Forecast

5.a. To consider the growth rates for ATM, passengers and cargo movements as per the methodology adopted by the Authority for the second control period (as per Table 14)

Truing Up: 4. Truing up for Regarding Traffic Forecast

4.a. To true up the traffic volume (ATM, Passengers and Cargo) based on actual growth for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period while determining aeronautical tariffs for the next control period commencing w.e.f. 01.04.2021.

11. Cargo, Ground Handling and Supply of Fuel to Aircraft Services (CGF)

11.1. As already mentioned in Para 2.4 above, the Authority vide its Airport Order and Airport Guidelines had laid down the regulatory approach and process for tariff determination for aeronautical services provided by the operators of major Airports.

11.2. Further, the Authority vide its Order No. 12/2010-11 dated 10.01.2011 (CGF Order) and Direction No. 04/2010-11 (CGF Guidelines) issued on 10.01.2011 had laid down the regulatory approach and process for tariff determination for (i) ground handling services relating to aircraft, passengers and cargo at an airport; (ii) the cargo facility at an airport; and (iii) supplying fuel to the aircraft at an airport.

11.3. AAI in its MYTP submission have stated about Cargo, Ground Handling and Fuel Supply at SVPIA as under:

11.4. Cargo Services at SVPIA:

11.4.1. As per the provisions of the AERA Act, services rendered in respect of cargo, are aeronautical services.

11.4.2. The Authority notes that the Cargo facility at SVPIA is concessioned out to independent service provider viz. GSEC Ltd and Cargo Service Centre.

11.4.3. AAI vide their submissions dated 19.10.2015 for the first and second control period, has included revenue from cargo as aeronautical revenue and stated that:

“Since the income from cargo is not material, the tariff fixation of cargo can be taken on the light touch Approach. In view of light Touch Approach, it is proposed that the prevailing rates for cargo may be taken for the entire control period.”

11.4.4. The Authority has, in response to the consultation paper No. 14/2013-14 dated 26th June 2013, in the matter of determination of tariffs for aeronautical services at Kempegowda International Airport, Bengaluru received the comments of the Ministry of Civil Aviation (MoCA) vides letter No. AV 20036/19/2013-AD dated 24.09.2013 wherein MoCA has, inter alia stated that:

“ 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 revenue from cargo, ground handling services in the AERA Act, 2008 may be reckoned as Aeronautical Revenues and considered accordingly irrespective of the providers of such Aeronautical Services.”

11.4.5. Considering the provision of the AERA Act as well as the comments received from MoCA, the Authority decides to treat the revenue receipts of AAI from cargo service irrespective of the cargo service provider at SVPIA as aeronautical revenue.

11.5. Ground Handling Services at SVPIA:

11.5.1. As per the provisions of the AERA Act, the services rendered in respect of Ground Handling relating to aircraft, passenger and cargo, are aeronautical services.

11.5.2. The Authority notes that as per AAI, at SVPIA the Ground Handling services is provided by Airlines themselves through various agencies, Air India and ground handling agencies such as Cambata Aviation .

11.6. Considering the provision of the AERA Act as well as the comments received from MoCA as indicated in Para11.4.4, the Authority decides to treat the revenue receipts of AAI from ground handling service as aeronautical revenue.

11.7. Supply of Fuel to Aircraft:

11.7.1. As per the provisions of the AERA Act, service provided for supplying fuel to the aircraft at an airport is an aeronautical service.

11.7.2. The Authority’s observations with respect to Supply of Fuel to an aircraft:

11.7.2.a. Aircraft fuel supply chains are serviced by different entities at the airport.

11.7.2.b. This aircraft fuel supply chain consists of various phases starting from the point of production of the fuel by the Oil Companies, its transportation to the airport, infrastructure on storage and distribution, Into Plane Service(ITP) or fuel dispenser, finally culminating in the supply of fuel to the aircraft at the airport.

11.7.2.c. The production of fuel for aircrafts is not an aeronautical activity hence; this is not under the regulatory ambit of the Authority.

- 11.7.2.d. The Fuel supply chain at an airport begins from entry of fuel into the airport premise and extends up to fueling the aircraft. The concession related to entry of fuel into the airport is granted by the Airport Operator. The Airport Operator under an agreement with the Oil Marketing Companies charges for this service. These charges are termed as Fuel Throughput Charge (FTC). The Authority has consistently regarded the revenue to the airport operator from fuel throughput charge as aeronautical revenue. The Authority has also noted that AAI has also reckoned revenue from FTC as aeronautical revenue.
- 11.7.2.e. Once fuel is inside the airport premises, it can be supplied to the aircraft either through fuel farm facility or through the oil dispensers, which will depend upon the infrastructure available at the airport. Some airports may have Into-Plane (ITP) service for fueling the aircraft.
- 11.7.2.f. In the case of SVPIA, the fuel is supplied to the aircraft directly by the Oil Marketing Companies through Oil Tankers and there is no separate ITP service.
- 11.8. AAI has considered the Fuel Throughput Fee received from Oil Marketing companies as aeronautical revenues for the purpose of current tariff determination, which is in line with the Authority's approach. In this regard, AAI, had stated that the finalisation of fuel throughput charges at AAI's airports is based on commercial agreements between AAI and Oil companies which covers many airports including those which are not under the purview of the AERA Act, 2008 and that these agreements have been entered into with the Oil companies in the year 2005 based on the outcome of a competitive tendering process. The Fuel throughput charges at SVPIA is Rs. 112.10 per KL with effect from 01.04.2010 which is approved by the Authority vide order no. 07/2010-11 dated 04.11.2010. There is no proposal for further increase in the fuel throughput charges in ATP for the second control period as submitted by AAI. Based on above, AAI projects its revenue under the revenue cargo handling, ground handling and fuel through put which are indicated in Table 26 and Table 32 below.
- 11.9. In view of the above, the Authority proposes to consider the amounts received by AAI from Cargo, Ground Handling and Fuel Supply services as a part of Aeronautical Revenues.

Proposal No. 6. Regarding Revenue accruing to the Airport Operator from aeronautical services of Cargo, Ground Handling and Supply of fuel to aircraft (including FTC).

6.a. To consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft as aeronautical revenue irrespective of the providers of such Aeronautical Services.

6.b. To treat Fuel Throughput Fee as an integral part of supply of fuel to aircraft service and accordingly proposes to consider the revenue from Fuel Supply (Fuel Throughput Charges) as aeronautical revenue in the hands of AAI.

6.c. To continue the fuel throughput charges at SVPIA at Rs. 112.10 per KL with effect from 01.04.2016 during the second control period

12. Revenue from services other than aeronautical services:

12.1. AAI has submitted the forecasts of various components of non-aeronautical revenue streams along with their respective areas as well the assumptions underlying the forecast. The historical and projected revenue generating area in respect of SVPIA, as submitted by AAI is as given below:

Table 15: Historical and Projected Revenue generating area from services other than aeronautical services at SVPIA for the first and second control period(in Sq. Mts)

First control period

S. No.	Particulars of Area (In sq. mt.)	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1	Restaurant/ Snack bars	1400	1400	1400	1400	1400	1400
2	T.R Stall	264.7	264.7	264.7	264.7	264.7	264.7
3	Advertisement	23475	23475	23475	23475	23475	23475
4	Duty Free Shops	100.75	100.75	100.75	100.75	100.75	100.75
5	Land Leases	60937.09	72979.01	72979.01	72979.01	72979.01	72979.01
6	Building Non Residential	865.58	4578.44	4578.44	4578.44	4578.44	4578.44
7	Car Parking	19204	32660	32660	32660	32660	32660
8	Airport Entry Tickets	12	12	12	12	12	12

Second control period

S. No.	Particulars of Area (In sq. mt.)	2015-16	2016-17	2017-18	2018-19	2019-2020	2020-2021
1	Restaurant/ Snack Bars	1400	1400	1400	1400	1820	1820
2	T.R Stall	264.7	264.7	264.7	264.7	317.64	317.64
3	Advertisement	23475	23475	23475	23475	28170	28170
4	Duty Free Shops	100.75	100.75	100.75	100.75	201.5	201.5
5	Land Leases	72979.01	72979.01	72979.01	72979.01	72979.01	72979.01
6	Building Non Residential	4578.44	4578.44	4578.44	4578.44	5951.97	5951.97
7	Car Parking	32660	32660	32660	32660	42458	42458
8	Airport Entry Tickets	12	12	12	12	24	24

12.2. The assumptions taken by AAI for projection of each source of non-aeronautical revenue and the basis of the assumptions are as under:

Table 16: Assumption for Service other than Regulated Services

S no.	Item	Assumption
Trading Concession including Restaurant, T.R.	Restaurant /TR Stalls – Increase of 10% p.a in Restaurant /TR Stalls from 2016-17 to 2019-20 &	Projected increase based on the

S no.	Item	Assumption
Stalls, and Hoarding & Display ect.	Increase of 20% in 2020-21 has been considered. Hoarding and Display: Increase of 10% p.a. in Restaurant / TR Stalls from 2016-17 to 2019-20 & Increase of 20% in 2020-21 has been considered. Duty Free Shop – Increase of 10% p.a. in Restaurant / TR Stalls from 2016-17 to 2019-20 & Increase of 20% in 2020-21 has been considered.	projected growth rate has been taken.
Rent and Services including Land Rent & Space Rent	Land – Lease – 7.5% increase every year has been considered. Building non-residential – 7.5% increase every year has been considered.	Growth Rates of 7.5% increase p.a. is as per normal annual escalation in L/Fee rates for Land & Terminal Building space.
Miscellaneous revenue including, Car Parking, Admission Tickets, Other misc. items etc.	Car Parking – Increase of 10% p.a. in Restaurant / TR Stall from 2016-17 to 2019-20 & Increase of 20% in 2020-21 has been considered. Admission Tickets – Increase of 10% p.a. in Restaurant /TR Stalls from 2016-17 to 2019-20 & Increase of 20% in 200-21 has been considered.	Projected increase based on the projected growth rate has been taken.

Revenue from Non-Aeronautical Services:

12.3. AAI has made submissions for revenue other than regulated services for the first control period as per actual upto 31.03.2015 and only for the year 2015-16, projections have been made based on the assumptions. As per AAI submissions, the growth in non-aeronautical revenue has been worked out by applying the growth rate to historical revenues and establishing the relationship with available commercial area. Revenue from non-aeronautical services for the first control period as follows:

Table 17: Revenue from Non-aeronautical Services - actual/projected by AAI for 1st control period (Rs. In crore)

S.no	Revenue from services other than Regulated Services	2010-11*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
	TRADING CONCESSIONS						
1	Restaurant / Snack Bars	1.00	1.20	2.24	2.39	2.59	2.85
2	T.R. Stall	1.10	1.71	2.11	3.95	4.02	4.42
3	Duty Free Shop	1.85	2.01	2.49	2.67	3.18	3.50
4	Hoarding & Display	6.49	7.55	7.97	8.98	9.33	10.26
	RENT & SERVICES						
5	Land Lease	5.76	5.07	5.98	7.60	8.32	8.95
6	Building Non-Residential	5.58	7.99	7.68	9.60	14.60	15.69
	MISCELLANEOUS						
7	Car Parking	4.24	6.07	6.74	3.98	5.68	6.25
8	Porterage	0.27	0.00	0.00	0.00	0.00	0.00

S.no	Revenue from services other than Regulated Services	2010-11*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
9	Admission Tickets	1.08	1.16	1.65	1.80	2.09	2.30
10	Other Miscellaneous	5.65	3.40	4.84	3.62	6.38	6.70
11	Profit on sale of Assets / Scrap (Scrap)	0.00	0.33	0.06	0.12	0.11	0.00
12	Revenues from Interest Income	0.11	0.16	0.16	0.13	0.05	0.05
	Total Revenues (Actual upto 2014-15)	33.13	36.66	41.92	44.84	56.36	60.97

*Actual

12.4. Based on assumption contained in Table 16, the projections for revenue other than regulated services for the second control period as submitted by AAI are as follows:

Table 18: Revenue from Non-aeronautical Services - projected by AAI for 2nd control period (Rs. In crore)

S.no	Revenue from services other than Regulated Services	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	TRADING CONCESSIONS						
1	Restaurant / Snack Bars	2.85	3.14	3.45	3.79	4.17	5.00
2	T.R. Stall	4.42	4.86	5.35	5.89	6.48	7.77
3	Duty Free Shop	3.50	3.85	4.24	4.66	5.13	6.15
4	Hoarding & Display	10.26	11.29	12.42	13.66	15.03	18.03
	RENT & SERVICES						
5	Land Lease	8.95	9.62	10.34	11.12	11.95	12.85
6	Building Non-Residential	15.69	16.87	18.13	19.49	20.95	22.52
	MISCELLANEOUS						
7	Car Parking	6.25	6.87	7.56	8.31	9.15	10.97
8	Admission Tickets	2.30	2.53	2.79	3.06	3.37	4.04
9	Other Miscellaneous	6.69	7.03	7.39	7.76	8.15	8.55
10	Profit on sale of Assets / Scrap (Scrap)						
11	Revenues from Interest Income	0.05	0.05	0.05	0.06	0.06	0.06
	Total Revenues	60.97	66.12	71.71	77.80	84.43	95.97

Authority's Examination

12.5. The Authority has given careful consideration to the various assumptions. The Authority thus proposes to true up the non-aeronautical revenues for tariff determination in the first and second control period and accept the submission of AAI.

12.6. The Authority noted that Counter Charges is excluded from Non- Aeronautical Revenue and considered as part of Aeronautical Revenue which is in line with the views of the

Authority as Common User Terminal Equipment (CUTE) is an integral part of service related to check in of passengers

12.7. The Authority noted that the non-aeronautical revenue as projected by AAI at the time of adhoc UDF determination in 2010 has not been realised. It is also noted that very small portion of the terminal building is being exploited for commercial purposes. The Authority expects AAI to utilize its resources better and maximize its non-aeronautical revenue and keep the aeronautical tariff down.

Proposal No. 7. Regarding Non Aeronautical Revenues

7.a. The Authority proposes to consider the Non Aeronautical Revenue as given in Table 17 and Table 18 above for determination of aeronautical tariffs for the first and second control period.

Truing Up: 5. **Truing up for Proposal No. 7**

5.a. *To true up the Non-Aeronautical Revenue of 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period considered by the Authority in the present aeronautical tariff determination exercise, based on the actual non aeronautical revenue earned by AAI while determining aeronautical tariffs for the third control period.*

13. Operation and Maintenance Expenditure

13.1. As provided in Clause 5.4 of the Airport Guidelines, the operational and maintenance expenditure shall include all expenditures incurred by the Airport Operators including expenditure incurred on statutory operating cost and other mandated operating costs.

13.2. Operation and Maintenance expenditure submitted by AAI is segregated into

13.2.1. Payroll related Expenditure

13.2.2. Administration and General Expenditure

13.2.3. Repair and Maintenance Expenditure

13.2.4. Utilities and Outsourcing Expenditure

13.2.5. Other Outflows

13.3. AAI has submitted details and basis for each of the above proposed expenditure in their submission. The details of the assumptions made by AAI for each item of Operation and Maintenance Expenditure are given in Table19 below:

Table19: Assumptions made by AAI for each item of Operation and Maintenance Expenditure

SI No.	Item	Assumption	
1	Pay roll Expenses	An increase of 40% 2017-18 as compared to 2016-17 in Salaries & wages, including Dearness Allowances, House Rent Allowance, P.F. Contribution, Fringe Benefit, Medical Expenses and Staff welfare expenses has been assumed due to 7 th Pay Commission. Increase of 9% for rest of the control period is assumed. OTA expenses estimated to grow at 5% for the entire control period except 2017-18 which is 40%. Apportionment of CHQ Expenses is estimated to grow at 5% p.a. for the entire control period except 2017-18 which is 40%.	Cumulative effect to Pay & Allowances comes around 8.04% approx. This assumption, however, does not account for the increase in staff strength but account for 7 th Pay Commission. Staff related expenses of CHQ apportioned to airports on the basis of number of employees at the airports.
2	Repair and Maintenance Expenses	An increase of 10% in R & M Civil Exp. Has been taken Except in the year 2016-2017. Total Amount to be spent on R & M Re-carpeting of Runway is Rs. 3000 lakhs (Rs. 1000 lakh to be spent in 2015-16 & Rs. 2000 to be spent in F.Y. 2016-17) In	10% annual increase in expenses under Civil (except F.Y. 2016-17 where re-carpeting of runway would be taken up). In Elect., Vehicles, Equipment's & Furniture expenses and Electronics expenses is as per normal trend.

Sl No.	Item	Assumption	
		R & M Electrical, Furniture & Fittings, Vehicles and R & M Electronics an increase of 10% p.a. has been assumed.	
3	Utility and outsourcing Expenditure	(i) Power Charges : Based on the past trend an increase in Exp. @ 10% has been assumed except F.Y. 2020-21 wherein an increase of 50% has been taken keeping in view of the completion of Completion of T. Building in 2019-20 increase in consumption for 2013-14 onwards has been considered. (ii) Water Charges: 5% increase p.a. in 2012-13 onwards.	Power Charges in whole control period is as per normal trend except F.Y. 2020-21 wherein an increase of 50% has been taken keeping in view the completion of Completion of Terminal Building in 2019-20. Normal trend has been assumed in Water Charges.
4	Administration and General Expenditure	Overall increase of 5.40% for the entire control period has been assumed for Administration Charges. On the other hand Legal Charges & Consultancy Charges has been assumed to be increased by 10% for the whole control period.	Nominal increase of 5.40% in General Administrative Expenses is estimated for whole control period. Other expense of CHQ (Admn. Expenses/Overhead Exp.) are proportionately apportioned to airports based on revenue of the airports as per existing methodology.
5	Other Outflows	Assumption @ 10% has been assumed for POL & other Consumables expenses for the whole control period.	Assumption @ 10% has been assumed for the whole control period.

13.4. A Summary of costs proposed by AAI for the control period is detailed below:

Table 20: Summary of O&M expenditure actual/projected by AAI for first and second control period (Rs. in crore)

First Control Period

S. No.	Particulars	2010-11*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
1	Pay roll Expenditure of SVPIA	16.66	16.71	16.66	18.62	20.82	22.65
2	Expenditure for SVPIA employees' retirement benefits allocated at CHQ	4.01	4.77	6.12	3.55	6.19	6.5
3	Pay and Allowances of ANS unit	1.63	1.68	2.22	1.89	2.17	1.97
A	Total Pay roll Expenditure (1+2-3)	19.04	19.8	20.56	20.28	24.84	27.18

S. No.	Particulars	2010-11*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
4	Administrative and General Expenditure	5.89	6.62	4.57	5.06	5.47	5.77
5	Apportionment of administration & General expenditure of CHQ/RHQ	34.53	17.79	23.08	25.78	14.63	15.37
B	Total Administration & General Expenditure(3+4)	40.42	24.41	27.65	30.84	20.10	21.14
C	Repairs and Maintenance Expenditure (Total)	6.33	16.18	10.3	9.05	12.84	24.13
6	Power Charges	13.52	14.73	17.18	16.98	20.92	22.39
7	Water Charges	-	0.42	0.24	0.24	0.24	0.24
D	Utility and Outsourcing Expenditure	13.52	15.15	17.42	17.22	21.16	22.63
E	Other Outflows	0.97	1.68	0.6	0.47	0.58	0.62
	Total (A+B+C+D+E)	80.28	77.22	76.53	77.86	79.52	95.7
*Actual							

Second Control Period

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of SVPIA	22.65	24.65	34.51	37.55	40.86	44.47
2	Expenditure for SVPIA employees' retirement benefits allocated at CHQ	6.5	6.82	9.55	10.03	10.53	11.06
3	Pay and Allowances of ANS unit	1.97	2.12	2.97	3.21	3.47	3.75
A	Total Pay roll expenditure (1+2-3)	27.18	29.35	41.09	44.37	47.92	51.78
4	Administrative and General Expenditure	5.77	6.17	6.55	6.94	7.37	7.83
5	Apportionment of administration & General expenditure of CHQ/RHQ	15.37	16.14	16.94	17.79	18.68	19.61

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
B	Total Administration & General Expenditure(3+4)	21.14	22.31	23.49	24.73	26.05	27.44
C	Repairs and Maintenance Expenditure	24.13	35.54	17.06	18.77	20.64	22.71
6	Power Charges	22.39	22.39	22.39	22.39	22.39	33.58
7	Water Charges	0.24	0.25	0.26	0.27	0.29	0.30
D	Utility and Outsourcing Expenditure	22.63	22.64	22.65	22.66	22.68	33.89
E	Other Outflows	0.62	0.68	0.75	0.83	0.91	1.00
	Total (A+B+C+D+E)	95.7	110.52	105.04	111.36	128.2	136.82

Submissions of AAI on CHQ/RHQ expenditure:

13.5. AAI has made separate submissions dated 01.02.2016 detailing the assumptions for apportionment of Common Overheads of Airport services in respect of AAI airports wherein it is submitted that expenditure of the offices/ units viz. Corporate Head Quarters, Integrated Administrative Unit, E M O at Delhi, Fire Training Centers at Delhi and Kolkata, Indian Aviation Academy(NIAMAR), Civil Aviation Training College at Allahabad and the Regional Offices are apportioned among all airports based on revenue earned at the airport for airport services.

13.6. During discussions, AAI stated that the common units function for the development activities and operations at the airports in terms of policies, imparting training for employees and incur expenditure at the respective units in accordance with the delegation of powers as laid down in various Manuals/Guidelines of AAI. The consolidated expenditure of these common units are effectively segregated between airport and ANS first and then apportioned to the airports on the basis of revenue earned by the respective airports for the services of airport and ANS. The pay roll expenditure submitted by AAI also includes the retirement benefits of employees of SVPIA, Ahmedabad provided at CHQ.

13.7. Vide submissions dated 22.02.2016, AAI submitted its reasons for higher apportionment of expenditure during 2012-13 and 2013-14 due to, *inter alia*, low traffic and higher expenditure in western region during the years.

13.8. The expenditure apportioned to SVPIA, Ahmedabad on account of CHQ/RHQ for the first and second control period are as follows;

Table 21 : CHQ/RHQ O&M expenditure actual/projected by AAI for 1st and 2nd control period (Rs. in crore)

First Control Period

S. No.	Particulars	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
1	Apportionment of administration & General- CHQ	7.83	6.81	3.98	5.01	5.26
2	Apportionment of administration & General-RHQ	9.96	16.26	21.80	9.62	10.11
B	Total Administration & General Expenditure(3+4)	17.79	23.08	25.78	14.63	15.37

Second Control Period

S. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Apportionment of administration & General- CHQ	5.52	5.80	6.09	6.39	6.71
2	Apportionment of administration & General-RHQ	10.62	11.14	11.70	12.29	12.90
B	Total Administration & General Expenditure(3+4)	16.14	16.94	17.79	18.68	19.61

Authority's Examination

13.9. The Authority notes that as per AAI's submission, the operational and maintenance expenditure in respect of SVPIA are excluding expenditure on CNS/ATM services. AAI have also stated that the actual expenditure has been considered for 2011-12 to 2014-15 being the first four tariff years of the first control period. It is further noted that the actual expenditure is as per the audited statements of accounts of AAI and C&AG conducts the audit of accounts of AAI.

13.10. The Authority, in its Airport Order, had stated that it will follow a bottom-up approach for assessment of operation and maintenance expenditure, which will include a review of the operation and maintenance expenditure forecast submitted by the Airport Operator.

13.11. The Authority considered the issue of operating expenses and their projections submitted by AAI.

13.11.1. The Authority has in particular noted that an increase of 40% has been projected in the pay roll expenditure in 2017-18 due to tentative increase in salary and wages on account of Wage Revision effective from 01.04.2017. The Authority notes that Public Sector Undertakings are covered under separate wage revision mechanism. Moreover, the Authority is of the view that as on date there is no actual evidence of the said outflow in 2017-18 and hence decided to true up the expenditure in the 3rd Control Period. It is also proposed that AAI may approach Authority for increase in tariffs in any year where there is an abnormal increase in expenditure on this account. In view of above, an increase of 10% is considered for projection of the pay roll expenditure for the second control period.

13.11.2. The Authority noted higher apportionment of RHQ expenses in the year 2012-13 and 2013-14 in the item of total administration and general expenditure for the second control period and expects AAI to explore other methodologies for apportionment of CHQ/RHQ overheads expenditure and also take steps to control such overhead expenditure reasonable. However, the projected increase of 5% on apportionment of these expenses from CHQ/RHQ appears reasonable.

13.11.3. The Authority notes that AAI may have to pay higher input cost on account of change in the per unit rate of cost as well as consumption of electricity and mandated cost incurred due to directions issued by Regulatory Agencies like DGCA etc. The Authority decides to true up the operating expense in the second control period. However, any additional payment by way of interest, payment and penalty, fine and such other penal levies for any delay or non-compliance, the same may not be trued up. The Authority notes that AAI considered the Municipal taxes and the tariff of electricity as per the actual for the previous year of payment which is in line with the

means of the Authority. AAI has also considered the impact of increase in terminal area and the relevant maintenance expenditure thereon.

13.11.4. The actual expenditure on power charges, water charges and municipal taxes and other statutory levies of Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI are proposed to be trued up in the next control period. However, any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same will not be trued up

13.11.5. Authority notes that the expenditure for the work of re-carpeting of runway is projected for the year 2015-16 to 2017-18 and the work has just been awarded. As per assessment the expenditure for this work during the year 2015-16 may be bare minimum. Hence, the O& M expenditure under the head of account 'Repairs and Maintenance' of 2015-16, 2016-17 and 2017-18 is modified accordingly.

13.12. In view of above, the operational and maintenance expenditure is reworked for the purpose of determination of aeronautical tariffs for the first Control Period.

Table 22: Summary of O&M expenditure as per the Authority for the first control period (Rs. in crore)

S. No.	Particulars	2010-11*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
1	Pay roll Expenditure of SVPIA	16.66	16.71	16.66	18.62	20.82	22.65
2	Apportionment of CHQ/RHQ	4.01	4.77	6.12	3.55	6.19	6.5
3	Pay and Allowances of ANS unit	1.63	1.68	2.22	1.89	2.17	1.97
A	Total Pay roll Expenditure (1+2-3)	19.04	19.8	20.56	20.28	24.84	27.18
4	Administrative and General Expenditure	5.89	6.62	4.57	5.06	5.47	5.77
5	Apportionment of administration & General expenditure of CHQ/RHQ	34.53	17.79	23.08	25.78	14.63	15.37

S. No.	Particulars	2010-11*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
B	Total Administration & General Expenditure(3+4)	40.42	24.41	27.65	30.84	20.10	21.14
C	Repairs and Maintenance Expenditure (Total)	6.33	16.18	10.3	9.05	12.84	15.13
6	Power Charges	13.52	14.73	17.18	16.98	20.92	22.39
7	Water Charges		0.42	0.24	0.24	0.24	0.24
D	Utility and Outsourcing Expenditure	13.52	15.15	17.42	17.22	21.16	22.63
E	Other Outflows	0.97	1.68	0.6	0.47	0.58	0.62
	Total (A+B+C+D+E)	80.28	77.22	76.53	77.86	79.52	86.70
*Actual							

Table 23: Summary of O&M expenditure as per the Authority for the second control period (Rs. in crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of SVPIA	22.65	24.65	27.11	29.50	32.11	34.94
2	Apportionment of CHQ/RHQ	6.50	6.82	7.51	7.88	8.28	8.69
3	Less: Pay and Allowances of common staff transferred to ANS unit	1.97	2.12	2.34	2.52	2.73	2.95
A	Total Pay roll expenditure (1+2-3)	27.18	29.35	32.28	34.86	37.66	40.68
3	Administrative and General Expenditure	5.77	6.14	6.48	6.84	7.22	7.62
4	Apportionment of administration & General expenditure of CHQ/RHQ	15.37	16.13	16.94	17.79	18.68	19.61
B	Total Administration & General Expenditure(3+4)	21.14	22.27	23.42	24.63	25.90	27.23
C	Repairs and Maintenance Expenditure	15.13	35.33	25.60	17.93	19.36	20.91
6	Power Charges	22.39	22.39	22.39	22.39	22.39	33.58
7	Water Charges	0.24	0.25	0.26	0.27	0.29	0.30
D	Utility and Outsourcing Expenditure	22.63	22.64	22.65	22.66	22.68	33.88
E	Other Outflows	0.62	0.67	0.73	0.78	0.85	0.91
	Total (A+B+C+D+E)	86.70	110.26	104.68	100.86	106.45	123.61

Proposal No. 8. Regarding Operation and Maintenance expenditure

8.a. The Authority proposes to consider the operational and maintenance expenditure as given in Table 22 and Table 23 above, for the purpose of determination of aeronautical tariffs for the first and second Control Period respectively.

Truing Up: 6. Truing up for proposal No. 8

6.a. *The Authority proposes to true up the O & M expenditure for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period based on the actual at the time of determination of tariffs for the third control period.*

6.b. *The Authority proposes the following factors for corrections while determining tariffs for the next control period;*

(i) Mandated cost incurred due to directions issued by regulatory agencies like DGCA;

(ii) Cost of actual operating expenses including electricity;

(iii) All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections (adjustments) to tariffs on a tariff year basis. Furthermore, any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up. On the input side, if AAI has to pay higher input cost on account of change in levies / taxes or any procurement of goods and services, the same may not be trued up.

14. Taxation

14.1. Clause 5.5.1 and Clause 5.5.2 of the Airport Guidelines state that:

“Taxation represents payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement.”

“The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof.”

14.2. As per the Airport Guidelines any interest payments, penalty, fines and other such penal levies associated with corporate tax, shall not be taken into consideration as expenditure or cost.

14.3. As per Clause 35 of the AAI Act, for the purpose of Income Tax Act 1961, or any other enactment for the time being in force relating to income tax or any other tax on income, profit or gain, the AAI shall be deemed to be a Company within the meaning of the Income Tax Act 1961 and shall be liable to tax accordingly on its income, profit and gain

14.4. Taxation is one of the building blocks for computation of ARR. Therefore, if the actual tax paid in any of the years (in the control period) is lower than the tax forecast to have been paid (and accordingly included in the target revenue calculation), it would lead to a situation wherein the Airport operator would be unjustly enriched.

14.5. Further, the effective income tax rate works out to 34.60%.

14.6. Vide their submissions dated 22.02.2016 AAI stated that corporate tax for the years 2011-12 to 2014-15 has been made on the basis of tax assessed for the airport till 31.03.2015 and provisional tax @ 34.60% has been considered for the year 2015-16 and the entire second Control period i.e. from 2016-17 to 2020-21.

14.7. The following table indicates the comparative amount of tax as per submission of AAI and that arrived by the Authority based on recalculation of the amount of depreciation due to change in depreciation rate in apron, taxiway, terminal building.

Table 24: Amount of Tax as per AAI submission and as calculated by the Authority based on change in depreciation rate for the first control period (Rs. in crore)

Details	2011-12*	2012-13*	2013-14*	2014-15*	2015-16	Total
Income Tax						
As per AAI	7.80	11.58	13.84	19.95	15.10	68.27
Notional tax on PBT due to difference in depreciation rate	11.64	13.48	17.41	21.04	19.79	83.36
Considered by Authority – Actual/Estimated apportionment to SVPIA	7.80	11.58	13.84	19.95	15.10	68.27

***Actual**

Details	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Income Tax						
As per AAI	14.88	29.72	38.10	35.84	30.80	149.34
Notional tax on PBT due to difference in depreciation rate	18.67	33.32	41.39	46.76	47.73	187.87
Considered by Authority - Estimated apportionment to SVPIA	14.88	29.72	38.10	35.84	30.80	149.34

14.8. The Authority to consider only the actual tax paid for SVPIA, Ahmedabad. AAI has apportioned tax to SVPIA for the years 2011-12, 2012-13, 2013-14 and 2014-15, which are to be considered as actual. The taxes actually paid/apportioned for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period 2015-16 is proposed to be trued up after review in the next control period.

14.9. The Authority notes that the profit before tax (PBT) and the tax paid does not correspond to the applicable corporate income tax rates. AAI submitted that for arriving at the taxable income, adjustments are made for the items of expenditure / income as per the provisions of the Income tax Act 1961. For example, for the FY 2014-15, PBT as per the audited Profit and Loss Account is Rs. 2791.41 crores whereas for the same year taxable income is Rs. 3587.21 crores and the income tax with surcharge and Cess etc. is Rs. 1244 Crores. As per submissions, AAI has deposited Rs. 1200 crores towards income tax. AAI further submitted that the apportionment of corporate tax for SVPIA, Ahmedabad is made on the basis of ratio between total PBT vis-à-vis PBT of SVPIA, Ahmedabad

14.10. AAI has allocated income tax payable as a percentage of profit before tax at the rate varying from 42% to 48% against the prevailing tax rate of 32.99% to 33.99% based on the overall ratio of tax paid by AAI. The policy of AERA is to consider tax on respective airports taking the overall percentage will amount to over provision of tax based on the concessions available at airports. AAI should submit a statement of tax paid airport-wise duly reconciled with the total tax paid during the period. For the purpose of this consultation paper, the Authority may restrict the tax rate 32.99% to 33.99% on the profit before tax for SVPIA, Ahmedabad. However, in the absence of detailed calculation of taxable income and tax airport-wise, the Authority has considered income tax paid by AAI as an expenditure and proposes to go with the proposal made by AAI regarding allocation of tax. AAI shall submit detailed working for Ahmedabad duly certified for the actual tax paid for the first control period.

14.11. The Authority proposes to restrict corporate tax as considered by AAI for the period from 2011-12 to 2014-15 on actual apportionment basis and for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control on estimated apportionment of AAI.

Proposal No. 9. Regarding Taxation

9.a. The Authority proposes to consider tax as actually paid/apportioned towards calculations of aeronautical tariff determination. Accordingly Authority proposes to account for taxes actually paid by AAI for F.Y 2011-12 to 2014-15.

9.b. The Authority proposes to consider corporate income tax rate @ 34.60% for the remaining period of the first control period and the entire duration of the second control period as estimated by AAI towards taxes .

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

7.a.To true up the difference between the actual corporate tax paid and that estimated by the Authority for determination of tariff for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period, at the time of determination of tariff for the 3rd control period.

15. Cost of Equity, Cost of Debt, Gearing, and Weighted Average Cost of Capital

15.1. AAI have in their submissions stated that they had engaged KPMG to determine the Fair Rate of Return (FRoR) for its airport operation business. AAI have forwarded KPMG report wherein KPMG have stated that historically AAI's Financial Accounts have been prepared and maintained at consolidated level across all the airports operated by it and that currently it is very difficult to apportion funds and prepare the financial statements for each individual airport. Hence KPMG have in their report assumed that the gearing ratio and cost of debt for the airport operation business at each airport of AAI is the same as that for AAI as a whole.

15.2. Gearing and Cost of Debt

15.2.1. As per the Airport Guidelines, the Authority shall determine a weighted average gearing in the control period for the purpose of determination of FRoR. The determination of such weighted average gearing shall have reference to actual and such projected quantum of debt submitted by the Airport Operator. The calculation of such weighted gearing shall be based on the forecast quantum of debt and equity for each Tariff Year in a Control Period. The Gearing is the level of an entity's debt compared with its equity component and is calculated as $Gearing = \frac{Debt}{(Debt+Equity)}$.

15.2.2. The weighted average cost of existing debt of AAI as a whole is 8.03%. KPMG have assumed that AAI will be able to raise the incremental debt requirement in the first control period on similar terms. In the tariff proposal for SVPIA, AAI assumed that future capital funding requirement will be met in similar Debt-Equity proportion for AAI as a whole at the current levels and projected the expected gearing to be 8.84% (Debt of Rs.675 crore and Equity of Rs.6696 crore) equivalent to debt/equity ratio in the first control period as also stated by KPMG. It has been informed by AAI that at present no loan is apportioned to the SVPIA.

15.3. Weighted Average cost of Capital (WACC) [Fair Rate of Return (FRoR)]

15.3.1. **Cost of Equity-** In the report of KPMG, submitted by AAI, the cost of equity for AAI has been computed using the Capital Asset Price Model (CAPM) and the expected cost of equity for AAI's airport operations business is projected to be 15.64%.KPMG, in

its report, have stated that “on applying the above mentioned values of various parameters to the FRoR methodology prescribed by AERA, the Fair Rate of Return for AAI’s airports operations business works out to 14.96%, i.e., 15%”. However, AAI have adopted 14% to determine the return on RAB and in discounting Target Revenue to arrive at the NPV.

15.4. It is also observed that vide its letter AV. 24032/037/2011-AD dated 12.03.2012, the Ministry of Civil Aviation (MoCA) forwarded report of SBI Capital Market Ltd (i.e. SBI CAPS) in the matter of “Fair Rate of Return of Equity for Indian Airport Sector” and stated that

“Airports Authority of India got a study conducted through a Financial Advisor namely M/s SBI Capital Markets Ltd. (SBI CAPS). The Financial Advisor has since submitted its report and has opined that a return on the Equity in the range of 18.5% to 20.5% would be reasonable for airport sector in India. A copy of the report of the Financial Advisor is enclosed.

The report of the Financial Advisor may kindly be considered in taking decision in this regard.....”

15.5. The building blocks and detailed methodology of calculation of WACC (FRoR) are laid down in the Authority’s Airport Order and Airport Guidelines. Further, the Authority had given an exhaustive analysis of the building blocks of WACC (FRoR) in its Order No.03/2012-13 dated 24.04.2012 (DIAL Tariff Order) in the matter of tariff determination of IGI Airport, New Delhi, and Order No.32/2012-13 dated 15.01.2013 (MIAL Tariff Order) in the matter of tariff determination of CSI Airport, Mumbai, taking into consideration academic literature, practices adopted by other regulators, report of several consultants including the Authority’s Consultant, the National Institute of Public Finance and Policy (NIPFP) and stakeholder consultation responses. Particularly in its order No. 03/2012-13 dated 24th April 2012, (DIAL Tariff order), the Authority has given detailed consideration to the report of SBI CAPS. This along with the analysis of NIPFP led the Authority to conclude that the band of 18.5% to 20.5% as fair rate of return on equity proposed by SBI would not be applicable for Delhi Airport. Similar risk mitigating measures like Truing up Traffic and Non Aeronautical Revenue (refer Para 15.8) have been proposed to be put in place in respect of SVPIA. Hence

the Authority does not consider the band as suggested by SBI CAPS in its report as appropriate for SVPIA. The Authority also notes that neither the KPMG nor the AAI have based their submissions on this band.

15.6. The Authority had obtained reports from National Institute of Public Finance and Policy (NIPFP) and SBI Capital Markets Ltd, on the methodologies for consideration of weighted Average cost of Capital (WACC) or Fair Rate of Return (FRoR) which are available in website www.aera.gov.in.

15.7. The Authority had also given an analysis on the WACC (FRoR) in its Order No. 35/2012-13, 38/2012-13 and 34/2013-14 while determining the aeronautical tariffs in respect of the AAI Airports at Kolkata, Chennai and Guwahati respectively. SVPIA is one of the major airport of AAI and hence the above principles are relevant for SVPIA for determination of WACC(FRoR).

15.8. The Authority, in this Consultation Paper, has proposed the following risk mitigating measures as under:

- 15.8.1. truing up the volumes of traffic;
- 15.8.2. truing up the non-aeronautical revenue in this Control Period;
- 15.8.3. truing up of Operational and maintenance Expenditure;
- 15.8.4. truing up of corporate tax;

15.9. The Authority expects that these measures would give a downward push to the asset beta of SVPIA. The Authority would thus regard 0.61 as the upper bound of the asset beta. According to the submissions of AAI, no loan has been apportioned to the SVPIA.

15.10. The Authority had already discussed in sufficient detail the impact of high gearing on re-levering of asset beta and consequently its impact on WACC, both in the Delhi and Mumbai Tariff Determination Orders (Order No.03/2012-13 dated 24.04.2012 and Order No.32/2012-13 dated 15.01.2013, respectively). Applying the same gearing ratio of 60:40 to re-lever the asset beta, in the instant case and also applying the various parameters of CAPM as recommended by NIPFP, the WACC for SVPIA works out 14.72%. However, AAI have in their revised submissions considered WACC at 14% at par with the decision taken by the Authority in Chennai, Kolkata Guwahati and Lucknow Airports.

15.11. AAI has not apportioned any debt for SVPIA. SVPIA has separate capital structure as financing activities are located centrally at the corporate office of AAI. Therefore, the cost of capital to be applied to the airports other than JV airports should be estimated based on the capital structure of AAI as a whole.

15.12. In view of the above analysis, the Authority proposes to consider WACC at the rate of 14% for SVPIA for the first and second control period as considered in the tariff determination process in respect of Chennai, Kolkata Guwahati and Lucknow Airports.

Proposal No. 10. **Regarding WACC (FRoR)**

10.a. The Authority proposes to consider the WACC at 14% for SVPAI for the first and second control period.

10.b. The Authority expects AAI to take steps to move toward efficient means of financing and achieve a debt equity ratio of 60:40 over a period of time.

16. Quality of Service

- 16.1. In the scheme of the AERA Act, the Authority has two mandates relating to quality of service – first, to consider the quality of service for determination of tariff and secondly, to monitor the set performance standards relating to quality of service. These are two distinct functions - one relates to determination of tariff whereas the other relates to monitoring of the set performance standards.
- 16.2. The Authority in its Airport Order stated that while it will discharge its other functions under the AERA Act with respect to monitoring the set performance standards as may be specified by the Central Government (Section 13 (1) (d) of the Act), it will in accordance with the provisions of Section 13(1) (a) (ii) of the Act, take into consideration the quality of service provided by Airport Operators on specified parameters and measures while determining tariffs.
- 16.3. The specific Objective Quality of Service Parameters and Benchmarks and the Subjective Quality of Service Parameters and Benchmarks to be measured at the major airports have already been adopted by the Authority in the Airport Guidelines (Appendix 2 and Appendix 3 of the Airport Guidelines).
- 16.4. The Authority has also adopted a mechanism to consider reduced tariffs for under-performance vis-a-vis specified benchmarks on quality of service to adequately protect the interest of users. Under such a mechanism, the calculated level of rebate for a year will be passed on to users of airport services in the form of reduced tariffs in the following year(s). The Authority had specified that under-performance with respect to specified benchmark for each objective service quality measure will have a monthly rebate incidence of 0.25% of aeronautical revenue, subject to an overall cap of 1.5%. As regards the subjective service quality parameters, the Authority has adopted an overall benchmark of 3.5 on the Airports Council International's Airport Service Quality (ACI ASQ) survey, which is to be undertaken by all major airports. The Authority believed that in order to progressively ensure better service quality performance within the control period, it would be appropriate to prescribe a higher overall benchmark for fourth and fifth tariff years of the first control period. Accordingly the Authority has decided that the overall benchmark for subjective quality

requirements for the fourth and fifth tariff years of the first control period shall be 3.75 on the ACIASQ survey.

16.5. The Authority also considered the issue of specifying a transition period for implementation of the scheme of quality of service measurement and determination of any rebates as relevant for SVPIA and feels that a period of one year from the date of tariff determination would be a reasonable time for AAI to appropriately align their processes/ procedures and make any other required interventions

16.6. The Authority notes that AAI has taken steps to improve the standards of customer services at AAI airports as AAI has improved its ratings at Ahmedabad 4.27 for 2014-15. The surveys are conducted on a set of 34 parameters.

16.7. Currently, in determination of aeronautical tariff(s) for SVPIA a period of over four years of the first control period have already elapsed and given the transition period of a few months, for implementation of the above scheme (quality of service measurement and determination of any rebates) would be applicable only from the second tariff year of the second Control period i.e., 2017-18. The Authority notes that it will be possible to calculate the rebate for the year 2015-16 only in the tariff year t+2, viz., in 2017-18, which is the second tariff year of the next control period. In this light the Authority proposes to apply the Quality of Service parameters and rebate mechanism as indicated in the Airport Order and the Airport Guidelines dated 28.02.2011 for AAI.

Proposal No. 11. Regarding Quality of Service

11.a. The Authority proposes to use the rebate mechanism as indicated in the Airport Order and the Airport Guidelines for AAI.

11.b. The implementation of the rebate scheme is proposed to be made applicable from the first Tariff year of the second Control period i.e., 2016-17. Rebate for year 2015-16 is proposed to be carried out in 2017-18, which is the second tariff year of the next control period.

17. Annual Compliance Statement

- 17.1. The Airport Guidelines issued by the Authority has laid down the error correction mechanism with reference to the adjustment to the Estimated Maximum Allowed Yield per passenger, calculated using the error correction term of Tariff Year t-2 and the compounding factor. The error correction calculated as per the Airport Guidelines indicated the quantum of over-recovery or under-recovery due to increase or decrease respectively of the Actual Yield per passenger with respect to Actual Maximum Allowed Yield per passenger in the Tariff Year.
- 17.2. The first control period is just nearing completion. The Authority has proposed to true up the ARR and revenue based on actuals. Any under recovery/ over recovery will be accounted in the second control period.
- 17.3. Accordingly, the Authority has proposed for appropriate adjustments to the RAB at the beginning of the next control period in respect of under recovery of revenue in the first control period. It has also proposed to consider the depreciation methodology adopted by the Authority. The Authority has also proposed to true up the traffic projection based on actual growth and trued up the non-aeronautical revenue based on actual while determining the aeronautical tariffs for the next control period commencing w.e.f.01.04.2021
- 17.4. Further, the Authority notes that in view of all the corrections/truing up to be carried out at the end of the control period, AAI, may submit Annual Compliance Statements etc. for 2015-16 of the first control period along-with the Annual Compliance Statements for the tariff years 2016-17 to 2020-21 of the second control period in respect of SVPIA, Ahmedabad.

Proposal No. 12. **Regarding Annual Complainece**

12.a. The Authority proposes that AAI may submit the Annual Compliance Statements for the individual tariff years 2015-16 of the first control period and all the tariff years 2016-17 to 2020-21 of the second control period along with the MYTP for the next Control Period in respect of SVPIA, Ahmedabad while determining the aeronautical tariff in the third control period.

18. Aggregate Revenue Requirement for SVPIA

18.1. The Aggregate Revenue Requirement (ARR) computed by AAI for SVPIA i.e for the Airport and the yield per passenger (YPP) for the first and second control period are follows:

Table 25: ARR and Yield as per AAI for the first control period (Rs. in crore)

Details	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
Average RAB	365.49	322.43	277.79	233.83	199.31
Return on Average RAB@14%	51.17	45.14	38.89	32.74	27.90
Operating Expenditure	77.21	76.51	77.85	79.59	95.70
Depreciation	47.49	47.32	46.62	45.09	44.98
Corporate Tax @34.6%	7.80	11.58	13.84	19.95	15.10
Less- Revenue from services other than Regulated services	36.66	41.92	44.84	56.36	60.98
ARR as per AAI	147.01	138.62	132.40	120.95	122.71
Total ARR as per AAI	661.69				
No. of Passengers(as per Actual/Projected)	4695115	4162747	4564225	5050433	5440451
Total Passengers during the control period	23912971				
Yield per passenger for the control period(PV of ARR for the control period/Total passengers during the control period)					219.45
*Actuals					

18.2. AAI earned revenue from the following stream. It may be seen that according to AAI there is shortfall in aggregate revenue collection in comparison to allowable aggregate revenue during the first control period.

Table 26: Revenue earned for the first control period as per AAI Submission

Sr. No.	Particulars	2010-11*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
A	Revenues from Regulated Services						
1	Landing Charges:						
1.1	Domestic	26.54	29.41	27.83	28.72	25.33	26.85
1.2	International	8.78	9.73	9.22	11.83	12.83	13.86
1.3	Sub TOTAL	35.32	39.15	37.05	40.54	38.16	40.71
2	Parking and Housing Charges:	0.67	0.81	0.85	0.39	0.42	0.67
3	PSF(Facilitation) Charges:						
3.1	Domestic	12.69	16.83	13.99	15.21	15.86	16.98
3.2	International	2.07	2.70	2.40	2.99	3.24	3.57
3.3	Sub TOTAL	14.76	19.53	16.39	18.20	19.11	20.54
4	User Development Fees:						
4.1	Domestic	11.57	22.69	18.08	19.41	20.10	21.51
4.2	International	8.04	15.65	16.77	20.67	21.87	24.05
4.3	Sub TOTAL	19.61	38.34	34.85	40.08	41.97	45.56
5	Fuel Throughput Charges	1.07	1.01	0.95	0.92	1.20	1.28
6	Ground Handling Charges	1.85	4.53	10.85	9.97	8.78	9.34
7	Cargo Charges	1.64	2.42	2.86	2.59	2.41	2.67
8	Cute services	0.00	0.81	2.04	2.51	2.64	2.84
9	Total Revenue	74.85	106.45	105.81	115.65	114.66	123.36

*Actual

Table 27: ARR, yield and its resultant shortfall/excess as per AAI for the first control period

Components	2011-12	2012-13	2013-14	2014-15	2015-16	Total
ARR for year	147.01	138.62	132.40	120.95	122.71	661.69
Aeronautical Revenue	106.44	105.81	115.65	114.66	123.36	565.92
Shortfall/Excess	40.57	32.81	16.75	6.29	-0.65	95.77
Present Value Factor	1.9254	1.6889	1.4815	1.2996	1.14	
Present Value	78.11	55.41	24.82	8.17	-0.74	165.76

18.3. The above calculation of ARR as given by AAI is based on the building blocks in accordance with the Airport Guidelines. It also assumes that the revised tariffs would be applicable from 01.04.2016.

18.4. AAI submitted their updated MYTP for first and second control period along with Annual Tariff proposals (ATP) for the second control period vide their communication dated 11.01.2016. On perusal of ATP, it is noted that AAI has proposed to merge UDF with PSF starting from Rs. 200 per domestic departing passenger and Rs. 500 per international departing passenger from 01.04.2016 with 4% annual increase(from FY2017-18 onwards)

Table 28: Estimated ARR and Yield as per AAI for the second control period (Rs. in crore)

Details	2016-17	2017-18	2018-19	2019-20	2020-21
Average RAB	168.92	133.45	98.98	288.98	460.78
Return on Average RAB @14%	23.65	18.68	13.86	40.46	64.51
Operating Expenditure	110.53	105.04	111.36	118.21	136.82
Depreciation	41.95	36.38	32.57	62.43	92.97
Corporate Tax @34.6%	14.88	29.72	38.10	35.84	30.80
Less- Revenue from Services other than Regulated Services	66.12	71.72	77.81	84.43	95.97
ARR	134.27	124.60	124.35	178.37	234.31
Total ARR	795.91				
No. of Passengers (as per AAI)	5861418	6315867	6806542	7336421	7762005
Present Value Factor	1	0.88	0.77	0.67	0.59
Discounted ARR	131.09	107.51	94.65	110.16	122.71
PV of ARR for the Control period as on 01-04-2016	566.13				
Total Passengers during the Control Period	34082253				
Yield per Passenger for the Control Period (PV of ARR for control period /Total Passengers during the control period (in Rs)					175.57

Table 29: Projected Revenue as per AAI Submission for the second control period (Rs. in crore)

Sr. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
A	Revenues from Regulated Services						
1	Landing Charges:						
1.1	Domestic	26.85	28.46	30.17	31.98	33.90	35.25
1.2	International	13.86	14.97	16.17	17.46	18.86	20.18
1.3	TOTAL	40.71	43.43	46.34	49.44	52.75	55.43
2	Parking and Housing Charges:	0.42	0.44	0.47	0.50	0.53	0.57

Sr. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
3	PSF(Facilitation) Charges:						
3.1	Domestic	16.98	18.16	19.43	20.80	22.25	23.36
3.2	International	3.57	3.93	4.32	4.75	5.23	5.64
3.3	TOTAL	20.54	22.09	23.75	25.55	27.48	29.01
4	User Development Fees:						
4.1	Domestic	21.51	23.02	24.63	26.35	28.19	29.60
4.2	International	24.05	26.46	29.10	32.01	35.22	38.03
4.3	TOTAL	45.56	49.47	53.73	58.37	63.41	67.64
5	Fuel Throughput Charges	1.28	1.36	1.45	1.54	1.64	1.74
6	Ground Handling Charges	9.34	9.94	10.58	11.26	11.98	12.75
7	Cargo Charges	2.67	2.94	3.25	3.59	3.96	4.28
8	Cute services	2.84	3.06	3.30	3.55	3.83	4.05
9	Total Revenue	123.36	132.74	142.86	153.79	165.58	175.47

Authority's examination on estimated ARR, Yield, Revenue Collection and Shortfall.

18.5. The Authority has examined the calculations of AAI for the various elements of the regulatory building blocks that contribute to calculation of ARR. While calculating the ARR, the Authority noted that AAI has drawn the tariff proposal based on the Guidelines and experience in the process of determination of aeronautical tariffs on the proposals pertaining to other major airports.

18.6. However, due to adoption of Regulatory depreciation rate (refer para 8.11 and 8.10 above), on the addition to specific assets viz. Terminal Building, Taxiway and Apron in the first control period and second control period, the ARR has revised as under :

Table 30 : ARR, Yield and True up as per Authority for the first control period (Rs. in crore)

Details	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
Average RAB	373.03	345.04	315.34	285.93	265.24
Return on Average RAB @14%	52.22	48.31	44.15	40.03	37.13
Operating Expenditure	77.22	76.53	77.86	79.52	86.7
Depreciation	32.40	32.27	31.87	30.71	31.69
Corporate Tax @34.4 as per AAI	7.80	11.58	13.84	19.95	22.82
Less- Revenue from Services other than Regulated Services	36.66	41.92	44.84	56.36	60.98
ARR as per the Authority	132.98	126.77	122.88	113.85	117.36
Total ARR as per the Authority	613.84				
No. of Passengers (as per actual/projected)	4695115	4162747	4564225	5050433	5440451
Yield (Rs./ Passenger)	283.23	304.53	269.22	225.43	215.72
Present Value Factor	1	0.8772	0.7694	0.6750	0.5921
Discounted ARR	132.98	111.20	94.54	76.85	69.49
PV of ARR for the Control period as on 01-04-2016					485.06
Total Passengers during the control period					23912971
Yield per Passenger for the Control Period (PV of ARR for control period /Total Passengers during the control period (in Rs)					202.84
* Actuals					

Table 31: Revenue earned under various streams and its resultant shortfall/excess for the first control period as per the Authority (Rs. in crore)

True-up	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
Actual Aero Revenue					
Landing	39.15	37.05	40.54	38.16	40.71
Parking and Housing	0.81	0.85	0.39	0.42	0.67
UDF	38.34	34.85	40.08	41.97	45.56
PSF	19.53	16.39	18.20	19.11	20.54
FTP+ITP	1.01	0.95	0.92	1.20	1.28
Ground Handling Charges	4.53	10.85	9.97	8.78	9.34
CUTE	0.81	2.04	2.51	2.64	2.84
Cargo Charges	2.42	2.86	2.59	2.41	2.67
Total Actual Revenue	106.60	105.84	115.20	114.69	123.61
Target Aero Revenue	132.98	126.77	122.88	113.85	117.36
Short fall /excess in	26.38	20.93	7.68	-0.84	-6.25

True-up	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
revenue i.e difference (Target – Actual)					
Future value as on 01.04.2016 with Discount rate (14.00%)	1.9254	1.6890	1.4815	1.2996	1.1400
FV of the difference as on 01.04.2016	50.79	35.35	11.38	-1.09	-7.13
True-up as on 01.04.2016	89.3				

*Actual

18.7. Authority has estimated the following ARR and yield for the second control period based on various submissions of AAI. The Authority has also worked out the estimated ARR which is likely to be recovered from Landing, Housing Parking and PSF.

Table 32: ARR and Yield as per the Authority for the second control period (Rs. in crore)

Details	2016-17	2017-18	2018-19	2019-20	2020-21
Average RAB	246.98	222.20	197.67	408.19	620.24
Return on Average RAB @14%	34.58	31.11	27.67	57.15	86.83
Operating Expenditure	110.26	104.68	100.86	106.45	123.61
Depreciation	30.98	25.98	23.09	30.86	44.05
Corporate Tax @34.6 as per AAI	14.88	29.72	38.10	35.84	30.80
Less- Revenue from Services other than Regulated Services	66.12	71.72	77.81	84.43	95.97
True up short fall in first control period	89.30				
ARR as per the Authority	213.88	119.77	111.91	!E8 Is Not In Table	!F8 Is Not In Table
Total ARR as per the Authority	445.56				
No. of Passengers (as per actual/projected)	5861418	6315867	6806542	7336421	7762005
Yield (Rs./ Passenger)	364.89	189.63	164.42	0.0	0.0
Present Value Factor	1	0.8772	0.7694	0.6750	0.5921
Discounted ARR	213.88	105.06	86.10	0.00	0.00
PV of ARR for the Control period as on 01-04-2011					405.040
Total Passengers during the control period					34082253
Yield per Passenger for the Control Period (PV of ARR for control period /Total Passengers during the control period (in Rs)					118.842

19. Annual Tariff Proposal

19.1. During the course of various discussions, AAI has submitted that it would like to submit ATP(s) for all the years of the Second Control Period for various categories of aeronautical services provided by it at SVPIA.

19.2. AAI vide its latest submission dated 11.01.2016 proposed the following revision in the tariff(s) (excluding taxes/levies) assuming the revision in tariff w.e.f.01.04.2016 till 31.03.2021.

19.2.1. Increase of 29% in International landing charges and 34% in Domestic landing charges.

19.2.2. Uniform increase of 143% in parking and housing charges

19.2.3. UDF is merged with PSF (Facilitation) and no UDF will be levied separately w.e.f. 01.04.2016.

19.2.4. PSF per Domestic Departing Passenger – Rs 200 (including Rs. 77 for PSF)

19.2.5. PSF per International Departing Passenger – Rs 500

19.2.6. No increase is proposed in fuel throughput charges.

19.3. For the tariff year 2015-16 of the current control period the existing rates will continue on Landing, Housing, Parking and UDF. AAI has proposed for differential rates for landing charges by staggering the weight of aircrafts viz. upto 20MT, upto 50MT, upto 100MT, upto 200MT and above.

19.4. AAI proposed for yearly increase of 4% every subsequent year (2017-18 onwards) for Landing, Parking and Housing and PSF(Facilitation) charges, being 50% of average increase in WPI.

19.5. In order to give a boost to aeronautical revenue, AAI has proposed for a scheme of rebate in landing charges depending on the number of landings per week.

19.6. The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF/PSF at the Indian airports.

19.6.1. Children (under age of 2 years);

- 19.6.2. Holders of Diplomatic Passport;
 - 19.6.3. Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew or ground personnel);
 - 19.6.4. Persons travelling on official duty on aircraft operated by Indian Armed Forces;
 - 19.6.5. Persons travelling on official duty for United Nations Peace Keeping Missions;
 - 19.6.6. Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs “A passenger is treated in transit only if onward travel journey is within 24 hrs from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”); and
 - 19.6.7. Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions
- 19.7. Accordingly AAI have submitted the ATP(s) for second control period in respect of SVPIA vide their letter dated 11.01.2016. The ATP(s) as submitted by AAI for the tariff years 2016-17 (w.e.f.01.04.2016) is annexed herewith for stakeholder Consultation. AAI have requested that the short recovery of ARR of the first control period due to non-recovery of full required yield per passenger, to minimize the burden on the user, may be allowed to be recovered / adjusted in the second control period.

Authority’s Examination

- 19.8. The Authority noted that AAI has proposed revision of tariff for SVPIA in respect of Landing charges, Housing and Parking charges and Passengers Services Fees (facilitation) for the second control period (effective from 01.04. 2016). Further, the Authority also noted that AAI indicated to effect annual increases w.e.f. 1st April of each tariff year during the control period for WPI. In their tariff proposal, AAI has considered a WPI-X based on the long term forecast of WPI as available in the RBI website. Further, AAI has considered efficiency X factor of 0.1% in their tariff calculations. The Authority further notes that the proposed scheme of discount on landing charges to boost the revenue will also foster aviation economy and help optimum utilization of the resources at SVPIA, Ahmedabad.
- 19.9. The Authority notes that waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b)

Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 9thFeb.2004 will be retained in order to encourage and promote Intra regional connectivity at SVPIA, Ahmedabad.

19.10. Authority notes that the landing charges at any major airport is based on the weight of an aircraft as per the provisions of ICAO DOC 9082, wherein it is stated that;

“The landing charge scale should be based on a constant rate per 1000 kilograms or pounds in weight, but the rate may be varied at a certain level or levels of weight if considered necessary”.

It further states that

“....any charging system should, so far as possible, be simple and suitable for general application at international airports”.

19.11. In all the major airports in India located at the metros at Delhi, Mumbai, Bengaluru, Hyderabad and operated by DIAL, MIAL, BIAL and HIAL, the Landing charges are categorized in two sections viz. less than 100 MT and more than 100MT

19.12. In line with the general viewpoint of ICAO / IATA and other aviation bodies, the Authority is of the view that the operators(AAI) should ensure early and timely involvement of airlines and/or their representative organisations and other stakeholders in business plans, Capital expenditure for infrastructure development and its financing and the tariff structure.

19.13. The Authority also notes that addition to RAB of Rs. 506.40 crore would be made during the second control period. This capitalized expenditure would attract depreciation which has been considered as per the methodology of the Authority adopted for the other major airports.

19.14. The charges for aeronautical services are to be set on the basis of target ARR on estimated basis, RAB additions, Depreciation, Operational expenditure and taxes, and the growth in traffic.

19.15. The Authority also notes that present revenue would meet the required revenue due to the impact of growth in Pax/ATM and the WPI for each tariff year with the present rate of tariff. AAI has proposed for 4% increase in tariff due to WPI from 2017-18 onwards.

19.16. The Authority observed there is substantial growth in ATM as well as Passengers as available per AAI website till December 2015 and noted the growth in ATM and Passengers for the nine months period ending on December 2015 to that of December 2014².

19.17. The Authority determined UDF vide Order No. 02/2010-11 dated 18.05.2010 for a period of ten years, purely on an ad-hoc basis at the rate of Rs. 110/- and Rs. 415/- per embarking domestic and international passenger respectively and the said charges was effective from 01.09.2010.

19.18. The Authority also notes that PSF(Facilitation) charges at the rate of Rs. 77 per embarking passenger is applicable at SVPIA, Ahmedabad.

19.19. In view Tariff determination and considering the estimated ARR for the second control period, (Refer Table 32) the Authority estimates the proposed Tariff. The estimated revenue at the current Tariff level is indicated in Table 33. The estimated shortfall of the first control period is duly recovered with the current level of tariff and the projections of revenue for the second control period. The Authority further notes that the components of Landing charges, Parking and Housing charges and PSF(Facilitation) are increased by WPI for the next control period.

² Traffic News (AAI website)

Table 33: Projected Revenue, Target Revenue and excess/shortfall as per the Authority for the second control period (Rs. in crore)

True-up	2016-17	2017-18	2018-19	2019-20	2020-21	Total for control period
Projected Aero Revenue						
Landing	107.71	123.01	140.51	160.52	180.00	711.75
Parking and Housing						
UDF						
PSF						
FTP+ITP	1.36	1.45	1.54	1.64	1.74	7.73
Ground Handling Charges	9.94	10.58	11.26	11.98	12.75	56.51
CUTE	3.06	3.30	3.55	3.83	4.05	17.79
Cargo Charges	2.94	3.25	3.59	3.96	4.28	18.02
Total Projected Revenue	125.01	141.59	160.45	181.93	202.82	811.80
Target Aero Revenue	213.88	119.77	111.91	145.87	189.32	780.75
Short fall / Excess in revenue i.e difference (Target – Actual)	88.87	-21.82	-48.54	-36.06	-13.5	-31.05
PV value as on 01.04.2016 with Discount rate (14.00%)	1	0.8772	0.7694	0.6750	0.5921	
PV of the difference as on 01.04.2016	88.87	-19.14	-37.35	-24.4	-7.99	-0.01

19.20. With the present level of tariff, the Authority observed that the estimated revenue for the year 2015-16 is almost equal to the average required ARR(NPV per year). The increase in aeronautical revenue required for the second control period with tariffs indexed annually to inflation to the extent of 100% of the variation in Wholesale Price Index (WPI) of 6%, followed by automatic adjustment of tariffs every year for such index effective from 1st April of the relevant year to 31st March of the following year and the X factor (the required increase) is 0.05%.

Table 34: X Factor for the second control period as per the Authority.

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Projected Aero Revenue					
at the end of first control period	0				
at the beginning of the second control period	107.71				
X factor %					

19.21. The Authority is of the view that the WPI increase in the tariff components on the present level of tariff and the growth in traffic (PAX / ATM) shall even out the aggregate revenue requirement for SVPIA, Ahmedabad while allowing the discounting factor of **14%** on the revenue requirement during the control period. In view of above, there is hardly any requirement for increase in tariff other than WPI to arrive at the target revenue during the next Control Period.

19.22. The Authority proposes to continue the present structure of (UDF and PSF) distinct and separate as UDF is a revenue enhancing measure.

19.23. AAI may submit Tariff Card for the period of 2016-17 to 2020-21 of the second control period.

Proposal No. 13. Regarding tariff rate card the Authority proposes;

13.a. The X factor arrived at based on the present tariff level is 0.05%.

13.b. AAI to submit ATP for SVPIA, Ahmedabad for the second control period effective from 01.04.2016.

13.c. To categorise tariff for Landing charges as less than 100 MT and more than 100 MT.

13.d. To continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001-AAI dated 9th Feb.2004 in order to encourage and promote Intra regional connectivity at SVPIA, Ahmedabad.

13.e. To keep the existing UDF and PSF (facilitation) structure distinct and separate for charging on each domestic and international embarking passenger respectively.

20. Proposed Privatization of SVPIA under PPP model

20.1. The Authority notes that Airport Authority of India had released an advertisement for “Request for Qualification for Operation, Management and Transfer of Ahmedabad Airport through Public Private Partnership Model”. The proposal was to select a private entity to which the project may be awarded for undertaking operation, Management and development of Ahmedabad Airport. The details of which are available on the AAI website at http://www.aai.aero/tenders/RFQ_Ahmedabad_Airport_06092013.pdf. The Authority further noted that AAI released advertisements (RFP) for selection of Financial Consultant and Transaction Adviser and Legal Adviser for smooth process of selection of a private entity.

20.2. 20.2 The Authority further notes that AAI, vide no.AAI/KID/O&M/ A&J/RFP/Consultant/ 2016 dated 8th January, 2016 have released advertisement for “Request for Proposal for Selection of Consultant for Advising the Authority for O&M arrangement with an Expert Party for the select areas of Ahmedabad and Jaipur airports”. The details of which are available on the AAI website at http://www.aai.aero/public_notices/aaisite_test/RFP_FOR_O_M_CONSULTANT_08_012016.Pdf.

21. Summary of Proposals

Proposal No. 1. Regarding initial RAB13

- 1.a. The Authority proposes to consider the initial RAB at the beginning of the first and second control period as on 01.04.2011 and 01.04.2016 at Rs. 386.47 and Rs. 258.77 crore respectively for SVPIA as per Table 3. 13

Proposal No. 2. Regarding Project Cost.....22

- 2.a. The Authority proposes to consider allowable project cost of Rs.506.4 and accordingly to reckon the amount of Rs. 506.40 crore as addition to RAB during the second control period.....22
- 2.b. The Authority directs AAI to consult the users that the construction of domestic terminal building at a cost of Rs. 375 crore as per the Guidelines.22

Truing Up: 1. Truing up for Proposal No. 222

- 1.a. The Authority proposes that depending on the capex incurred and timing thereof (i.e. the date of capitalisation of the underlying assets in a given year) the Authority will make appropriate adjustments to the RAB at the beginning of the next control period for 2015-16 and the entire second control period of 2016-17 to 2020-21.22

Proposal No. 3. Regarding treatment of Depreciation26

- 3.a. The Authority proposes to consider the depreciation values on additions as per the certification of AAI with the exception of the rate considered for the specific assets of terminal building, runway, taxiway and apron for the first and second control periods.26
- 3.b. The Authority proposes to adopt a rate of 3.33% based on useful life of 30 years for the specific assets of terminal building, runway, taxiway and apron added during the first and second control period.....26

Truing Up: 2. True up for Proposal No. 3 above.....26

- 2.a. The Authority proposes to true up the depreciation considered for 2015-16 and entire second control period based on the outcome of the study commissioned to suggest appropriate rates of depreciation on the specific assets to be adopted for the regulation of the airports in line with the provision of the Companies Act .2013 26

Proposal No. 4. Regarding Roll forward RAB30

- 4.a. Authority proposes to consider Roll Forward RAB as given in Table 9 and Table 10 above for the purpose of determination of tariffs for aeronautical services at SVPIA in the current control period.30

Truing Up: 3. Truing up for Proposal No. 430

- 3.a. The Authority proposes to true up the average RAB of 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period based on the actual date of capitalisation of the assets at the time of determination of tariff for the third control period.....30

Proposal No. 5. Regarding Traffic Forecast.....33

- 5.a. To consider the growth rates for ATM, passengers and cargo movements as per the methodology adopted by the Authority for the second control period (as per Table 14)33

Truing Up: 4. Truing up for Regarding Traffic Forecast.....	33
4.a. <i>To true up the traffic volume (ATM, Passengers and Cargo) based on actual growth for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period while determining aeronautical tariffs for the next control period commencing w.e.f. 01.04.2021.</i>	<i>33</i>
Proposal No. 6. Regarding Revenue accruing to the Airport Operator from aeronautical services of Cargo, Ground Handling and Supply of fuel to aircraft (including FTC).....	37
6.a. <i>To consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft as aeronautical revenue irrespective of the providers of such Aeronautical Services.</i>	<i>37</i>
6.b. <i>To treat Fuel Throughput Fee as an integral part of supply of fuel to aircraft service and accordingly proposes to consider the revenue from Fuel Supply (Fuel Throughput Charges) as aeronautical revenue in the hands of AAI.</i>	<i>37</i>
6.c. <i>To continue the fuel throughput charges at SVPIA at Rs. 112.10 per KL with effect from 01.04.2016 during the second control period</i>	<i>37</i>
Proposal No. 7. Regarding Non Aeronautical Revenues.....	41
7.a. <i>The Authority proposes to consider the Non Aeronautical Revenue as given in Table 17 and Table 18 above for determination of aeronautical tariffs for the first and second control period.</i>	<i>41</i>
Truing Up: 5. Truing up for Proposal No. 7	41
5.a. <i>To true up the Non-Aeronautical Revenue of 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period considered by the Authority in the present aeronautical tariff determination exercise, based on the actual non aeronautical revenue earned by AAI while determining aeronautical tariffs for the third control period.</i>	<i>41</i>
Proposal No. 8. Regarding Operation and Maintenance expenditure.....	50
8.a. <i>The Authority proposes to consider the operational and maintenance expenditure as given in Table 22 and Table 23 above, for the purpose of determination of aeronautical tariffs for the first and second Control Period respectively.</i>	<i>50</i>
Truing Up: 6. Truing up for proposal No. 8	50
6.a. <i>The Authority proposes to true up the O & M expenditure for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period based on the actual at the time of determination of tariffs for the third control period.</i>	<i>50</i>
6.b. <i>The Authority proposes the following factors for corrections while determining tariffs for the next control period; 50</i>	
(i) <i>Mandated cost incurred due to directions issued by regulatory agencies like DGCA;</i>	<i>50</i>
Proposal No. 9. Regarding Taxation.....	53
9.a. <i>The Authority proposes to consider tax as actually paid/apportioned towards calculations of aeronautical tariff determination. Accordingly Authority proposes to account for taxes actually paid by AAI for F.Y 2011-12 to 2014-15.</i>	<i>53</i>

9.b. The Authority proposes to consider corporate income tax rate @ 34.60% for the remaining period of the first control period and the entire duration of the second control period as estimated by AAI towards taxes .

53

Truing Up: 7. Truing up for Proposal No. 953

7.a. To true up the difference between the actual corporate tax paid and that estimated by the Authority for determination of tariff for 2015-16 of the first control period and 2016-17 to 2020-21 of the second control period, at the time of determination of tariff for the 3rd control period.53

Proposal No. 10. Regarding WACC (FRoR).....57

10.a. The Authority proposes to consider the WACC at 14% for SVPAI for the first and second control period. 57

10.b. The Authority expects AAI to take steps to move toward efficient means of financing and achieve a debt equity ratio of 60:40 over a period of time.57

Proposal No. 11. Regarding Quality of Service59

11.a. The Authority proposes to use the rebate mechanism as indicated in the Airport Order and the Airport Guidelines for AAI.59

11.b. The implementation of the rebate scheme is proposed to be made applicable from the first Tariff year of the second Control period i.e., 2016-17. Rebate for year 2015-16 is proposed to be carried out in 2017-18, which is the second tariff year of the next control period.59

Proposal No. 12. Regarding Annual Compliance.....60

12.a. The Authority proposes that AAI may submit the Annual Compliance Statements for the individual tariff years 2015-16 of the first control period and all the tariff years 2016-17 to 2020-21 of the second control period along with the MYTP for the next Control Period in respect of SVPIA, Ahmedabad while determining the aeronautical tariff in the third control period.60

Proposal No. 13. Regarding tariff rate card the Authority proposes;.....73

13.a. The X factor arrived at based on the present tariff level is 0.05%.73

13.b. AAI to submit ATP for SVPIA, Ahmedabad for the second control period effective from 01.04.2016. 73

13.c. To categorise tariff for Landing charges as less than 100 MT and more than 100 MT.73

13.d. To continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 9th Feb.2004 in order to encourage and promote Intra regional connectivity at SVPIA, Ahmedabad.73

13.e. To keep the existing UDF and PSF (facilitation) structure distinct and separate for charging on each domestic and international embarking passenger respectively.73

22. Stakeholders' Consultation Timeline

- 22.1. The Aggregate Revenue Requirement (ARR) and Yield Per Passenger (YPP) worked out by the Authority are being put up for Stakeholder Consultation along with the ATP submitted by AAI in respect of SVPIA, Ahmedabad.
- 22.2. In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposal contain in the Section – Summary of proposals (Para 21 above) read with the relevant discussion in the other sections of the paper is hereby put forth for Stakeholders' Consultation. To assist the Stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed as **Annexure I**. 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 Stakeholder's in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.
- 22.3. The Authority welcomes written evidence- based feedback, comments and suggestions from Stakeholder's on the proposal made in (Para 22 above), latest by **18.04.2016** at the following address.

OSD-II to Secretary
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport
New Delhi -110003
Tel: 011-24695043, Fax: 011-24695039
Email: radhika.r@aera.gov.in

Chairperson

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Annexure – I

I(A)

I(B)

I(C)

AAI MYTP Submissions
SVPI Airport, Ahmedabad