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Consultation Paper No.07/2017-18



Airports Economic Regulatory Authority of India

**In the matter of determination of aeronautical tariffs
in respect of Calicut International Airport, Calicut (CIA) for
the second Control Period (01.04.2016 – 31.03.2021).**

16th June, 2017

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

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1. Introduction

1.1. Calicut Airport commenced operations in 1988 and was declared as an international airport in February 2006.

1.2. The traffic handled by Calicut International Airport (CIA) during the 1st control period is given in table below:

Table 1 - Passenger and ATM traffic during the 1st control period at CIA

Year	Dom. Pax (mn)	Int. Pax (mn)	Total Pax (mn)	Dom. ATMs	Int. ATMs	Total ATMs
2012	0.23	1.98	2.21	2,700	13,450	16,150
2013	0.31	1.96	2.27	3,639	13,094	16,733
2014	0.29	2.18	2.46	2,676	13,544	16,220
2015	0.30	2.29	2.58	3,099	14,382	17,481
2016	0.37	1.94	2.31	3,474	13,786	17,260

1.3. CIA, with a traffic of more than 1.5 mppa, is a major airport as defined in Section 2 (i) of AERA Act. Accordingly, tariff determination of aeronautical services at the airport is undertaken by AERA.

1.4. Technical and Terminal building details of CIA are provided in the table below:

Table 2 – Technical and Terminal building details of CIA

Technical Details of CIA		
Particulars	Details	
Total airport area	378.45 acres	
Runway orientation	10/28	
No. of Taxi Tracks	4	
No. of Apron Bays	12	
Aerodrome Category	4D	
Navigational Aids	DVOR, DME, NDB and ILS	
Operational hours	24 hours	
Terminal building Details		
Particulars	Domestic (T-I)	International (T-II)
Terminal Building Area	9,330 sq. m.	22,220 sq. m.
Immigration Counters	-	18+14
Customs Counters	-	1+4
Security Counters	3	5
Departure Conveyor	1	1
Arrival Conveyor	2	3
Peak hour passenger capacity	250 + 250	500 + 500

Particulars	Domestic (T-I)	International (T-II)
No. of Check-in Counters (CUTE)	9	23
Total Area of Car Parking	6,717 sq. m.	6,454 sq. m.

2. Methodology for Tariff determination

- 2.1. The Authority, vide its Order No. 13/2010-11 dated 12.01.2011 ("Airport Order") and Direction No. 5/2010/11 dated 28.02.2011 ("Airport Guidelines"), has issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended guidelines vide its Order No. 14, 2016-17 dated 12.1.2017 to determine future tariffs using Hybrid Till.
- 2.2. The tariff determination process consists of true-up for 1st control period and determination of building blocks for 2nd control period. The Authority proposes to undertake true-up of 1st control period based on actual financials and traffic data under Single Till (as was applicable during 1st control period) and determination of building blocks for 2nd control period under Hybrid Till.
- 2.3. The Aggregate Revenue Requirement (ARR) under regulatory framework of Authority is calculated as under

$$ARR = \sum_{t=1}^5 (ARR_t) \text{ and}$$
$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - \alpha \times NAR_t$$

Where

- 2.3.1. t is the Tariff Year in the control period;
- 2.3.2. ARR_t is the Aggregate Revenue Requirement for year t;
- 2.3.3. FRoR is the Fair Rate of Return for the control period;
- 2.3.4. RAB_t is the Aeronautical Regulatory Asset Base for year t;
- 2.3.5. D_t is the Depreciation corresponding to the Aeronautical RAB for year t;
- 2.3.6. O_t is the Aeronautical Operation and Maintenance Expenditure for year t, which include all expenditures incurred by the Airport Operator(s) towards aeronautical activities including expenditure incurred on statutory operating costs and other mandatory operating costs;
- 2.3.7. T_t is the Tax in year t, which includes payments by Airport Operator in respect of corporate tax on income from assets/ amenities/facilities/services taken into consideration for determination of ARR for year t;
- 2.3.8. α is 30% cross subsidy factor for revenue from services other than aeronautical services under Hybrid Till for 2nd control period. α is 100% cross

subsidy factor under Single Till for 1st control period; and

2.3.9. NAR_t is the revenue from services other than aeronautical services (Non-Aeronautical Revenues or NAR) for year t.

2.4. Based on ARR, Yield per Passenger is calculated as per formula given below:

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

Where,

2.4.1. Present value (PV) of ARR_t for a tariff year t is calculated at the beginning of the control period and the discounting rate for calculating PV is equal to the Fair Rate of Return determined by the Authority.

2.4.2. VE_t is the Traffic volume in a tariff year t as estimated by the Authority

2.4.3. ARR_t is the Aggregate Revenue Requirement for tariff year t.

2.5. While determining building blocks and ARR for CIA, the Authority proposes to-

2.5.1. Allocate CHQ/ RHQ overhead expenses on revenue basis as per the approach followed by the Authority while determining tariffs for Guwahati and Lucknow airports

2.5.2. Adopt depreciation rates consistent with the Companies Act and for assets not defined in the Companies Act at 3.33% from FY 2011-12 onwards

2.6. The Authority caps airport tariffs at a level where revenue generated through approved tariffs is equal to the permissible ARR for the Airport Operator. The Authority's approach on the above is detailed in subsequent sections.

2.7. The true-up for 1st control period and determination of building blocks for 2nd control period are detailed in subsequent sections.

3. Multi Year Tariff Proposal of CIA

- 3.1. In the 1st control period, the Authority, vide its Order No. 16/2015-16 dated 17.04.2015 had decided that the tariffs at CIA would continue at the existing level on ad-hoc basis and advised AAI to submit MYTP for the 2nd control period well in time along with the actual financials till FY 2014-15 and the aggregate revenue requirements for the 1st control period.
- 3.2. Accordingly, AAI made submissions dated 08.12.2015 to the Authority for determination of tariffs for 2nd control period. Subsequent to the announcement of National Civil Aviation Policy, AAI made revised submissions under Hybrid Till on 21.12.2016. In response to the clarifications requested by the Authority, AAI updated the submissions under Hybrid Till on 08.03.2017. AAI has further revised their submission under Hybrid Till on 21.04.2017 as part of clarifications submitted in line with the comments provided by AAI for Trivandrum airport consultation paper for the 2nd control period. The Authority has adopted the model proposed by AAI as on 08.03.2017 and considered subsequent submissions made by AAI for this consultation paper.
- 3.3. AAI provides Communication, Navigation, Surveillance/ Air Traffic Management (CNS/ATM) services in addition to landing, parking and other aeronautical services at CIA. AAI has submitted that the tariff proposal does not consider revenues, expenditure and assets on account of CNS/ATM services. This consultation paper discusses the determination of tariffs for aeronautical services at the airport excluding CNS/ ATM services.
- 3.4. AAI has informed that 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 airports, regional/ field offices. However, the C&AG issues the final audit certificate for the AAI as a whole and only trial balance is available for CIA. The Authority has utilized these documents as submitted by AAI for determination of tariffs.

4. True-up for First control period

4.1. True-up for 1st control period is calculated as difference between

4.1.1. Permissible aeronautical revenue calculated based on actual traffic and financials

4.1.2. Actual aeronautical revenue received by AAI for 1st control period

4.2. AAI has submitted opening RAB for the 1st control period under Single Till at ₹ 116.1 crores.

Table 3 – Opening RAB for the 1st control period – Single Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Assets excluding CNS/ATM related assets as on 01.04.2011	301.2
2	Accumulated Depreciation as on 01.04.2011	185.1
3	Opening RAB[(1)-(2)] as on 01.04.2011	116.1

Permissible aeronautical revenues

4.3. AAI has calculated Aggregate Revenue Requirement of ₹ 276.1 crores (PV of ARR is ₹ 217.6 crores as on 1st April 2012) for 1st control period.

Table 4 - ARR as per AAI for the 1st control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Opening RAB	116.1	110.1	99.8	87.5	88.2
Assets capitalized during the year	10.5	6.7	4.6	18.6	30.2
Disposals/ Transfer	0	0	0	0	0
Depreciation	16.5	17.0	16.9	18.0	20.5
Closing RAB	110.1	99.8	87.5	88.2	97.9
Average RAB	113.1	104.9	93.7	87.8	93.0
Return on Average RAB@14%	15.8	14.7	13.1	12.3	13.0
Operating Expenditure	41.4	52.8	46.6	56.6	53.7
Depreciation	16.5	17.0	16.9	18.0	20.5
Corporate Tax	5.6	3.9	6.6	5.5	0.9
Less- Revenue from services other than Regulated services	23.2	28.1	30.7	35.6	37.7
ARR as per AAI	56.1	60.2	52.4	56.8	50.5
Total ARR as per AAI	276.1				
Discounted ARR	56.1	52.8	40.3	38.4	29.9
PV of ARR for the control period as on 01.04.2012	217.6				

Actual aeronautical revenues

4.4. AAI has submitted that it has earned ₹ 237.1 crores during 1st control period.

Correspondingly, AAI has submitted that it has a shortfall of ₹ 66.7 crores (future value as on 01 April 2017) during the 1st control period. The aeronautical revenues for the 1st control period is shown below:

Table 5 - Aeronautical revenue earned for the 1st control period as per AAI Submission – Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
A	Revenues from Regulated Services					
1	Landing Charges:					
1.1	Domestic	0.5	1.3	3.5	3.2	2.3
1.2	International	31.2	30.4	29.3	30.7	18.3
1.3	Total Landing Charges	31.8	31.7	32.8	33.9	20.6
2	Parking and Housing Charges:	0.5	0.4	0.4	0.4	0.1
3	PSF(Facilitation Charges(FC)):					
3.1	Domestic	1.4	1.7	1.7	2.1	2.6
3.2	International	7.7	8.4	9.3	9.7	7.9
3.3	Total PSF (FC)	9.1	10.2	11.0	11.9	10.6
4	User Development Fees (UDF):					
4.1	Domestic	-	-	-	-	-
4.2	International	-	-	-	-	-
4.3	TOTAL UDF	-	-	-	-	-
5	Fuel Throughput Charges	1.3	1.4	1.3	1.6	1.1
6	Ground Handling Charges	4.6	5.0	2.8	2.1	4.9
7	Cargo revenues	-	-	-	-	-
8	CUTE services	0.6	1.1	1.2	1.4	1.3
	Total Aeronautical Revenues	47.9	49.7	49.5	51.4	38.6

Table 6 - ARR and its resultant shortfall as per AAI for 1st control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year	56.1	60.2	52.4	56.8	50.5	276.1
2	Aeronautical Revenue	47.9	49.7	49.5	51.4	38.6	237.1
3	Shortfall	8.2	10.5	2.9	5.4	11.9	39.0

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
4	Future Value of shortfall as on 01.04.2017	18.0	20.3	4.9	8.0	15.5	66.7

Authority's Examination

4.5. The Authority proposes adjustments on the following building blocks for calculating true-up of 1st control period

4.5.1. Adjustment for depreciation

4.5.2. Adjustment for non-aeronautical revenues

4.5.3. Adjustment of RAB

Adjustment for Depreciation

4.6. AAI has used depreciation rates as per the accounting policy approved by AAI board.

The depreciation rates used by AAI for key assets are –

Table 7 - Depreciation rates as submitted by AAI

No.	Asset Class	As per AAI
1	Land	0%
2	Runways	13.00%
3	Aprons	13.00%
4	Road, Bridges & Culverts	13.00%
5	Building- Terminal	8.00%
6	Building – Temporary	100%
7	Building – Residential	5.00%
8	Security Fencing – Temporary	100%
9	Boundary Wall –Operational	8.00%
10	Other Building – Unclassified	8.00%
11	Computer & Peripherals	20.00%
12	Intangible Assets- Software	20.00%
13	Plant & Machinery	11.00%
14	Tools & Equipment	20.00%
15	Office Furniture	20.00%
16	Other Vehicles	14.00%
17	Vehicle- Cars & Jeeps	14.00%
18	Electrical Installations	11.00%
19	Other Office and Equipment	18.00%
20	Furniture & Fixtures	20.00%
21	X Ray Baggage System	11.00%
22	CFT/Fire Fighting Equipment	13.00%

4.7. The Authority proposes the following depreciation rates

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

4.7.2. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 27.

4.8. Depreciation for the 1st control period has been calculated on the basis of actual date of capitalization of assets.

4.9. The revised depreciation for the 1st control period under Single Till is given below:

Table 8 – The Authority's consideration on depreciation for 1st control period – Single Till

No.	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	As per AAI	16.5	17.0	16.9	18.0	20.5	88.8
2	As per Authority	5.4	5.6	5.6	11.0	12.4	40.0

4.10. In respect of cost of land, the Authority notes that land is not a depreciable asset and if taken into RAB, the return over it has to be paid perpetually. Besides, if the principle of FRoR based on cost of capital is applied on cost of land the aeronautical charges may have to be fixed at exorbitantly high rates. Since the Authority has so far not come across instances where the land cost is significant part of the RAB, it is necessary to examine all the ramifications of taking the value of cost of land into RAB. The Authority realizes that unless some kind of return is given on land, future land acquisitions for airport purposes could become a major hurdle for airport development. Therefore, it is proposed to conduct a study based on which the treatment to be given to cost of land can be determined on a sound reasoning.

4.11. In the case of CIA it is proposed to exclude the existing cost of land (₹ 23.1 cr. in FY 2011-12) as well as any additions (₹ 1.4 cr. in 1st control period) from the RAB till a final decision is taken on the Issue.

4.12. The change in depreciation rates and exclusion of land from RAB results in a change

in average RAB of the 1st control period as shown below –

Table 9 – The Authority's consideration of average RAB for 1st control period – Single Till

No	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	As per AAI					
	Opening RAB	116.1	110.1	99.8	87.5	88.2
	Additions	10.5	6.7	4.6	18.6	30.2
	Disposals	0	0	0	0	0
	Depreciation	16.5	17.0	16.9	18.0	20.5
	Closing RAB	110.1	99.8	87.5	88.2	97.9
	Average RAB	113.1	104.9	93.7	87.8	93.0
2	As per Authority					
	Opening RAB	93.0	97.1	97.9	96.8	104.4
	Additions	9.4	6.4	4.6	18.6	31.4
	Disposals	0	0	0	0	0
	Depreciation	5.4	5.6	5.6	11.0	12.4
	Closing RAB	97.1	97.9	96.8	104.4	123.5
	Average RAB	95.0	97.5	97.4	100.6	113.9

Adjustment for Non-Aeronautical revenues

4.13. The Authority noted that AAI has considered lease rental revenues from ground handling agencies and oil companies, building rent revenues from ground handling agencies and revenues share from cargo as non-aeronautical revenues during the 1st control period. As per the provisions of the AERA Act, the services rendered in respect of ground handling, oil companies and cargo are aeronautical services.

4.14. The Authority proposes to consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft (CGF) including land lease rentals as aeronautical revenue.

Table 10 – Comparison of NAR as considered by AAI and the Authority for 1st control period

NAR (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
NAR as submitted by AAI (1)	23.2	28.1	30.7	35.6	37.7
Adjustment					
<i>Revenue from Cargo, Ground handling and fuel services treated as aeronautical (2)</i>	<i>1.3</i>	<i>1.5</i>	<i>1.8</i>	<i>2.2</i>	<i>1.7</i>
NAR as per Authority (3 = 1 - 2)	21.9	26.6	29.0	33.3	36.0

Adjustment for operating expenditure (CHQ/ RHQ expenditure apportionment)

4.15. Total CHQ/ RHQ expenses for AAI is as shown in table below. AAI has requested the apportionment of CHQ/ RHQ expenses while determining tariffs of major airports. CHQ/ RHQ expenses consist of three components – Expenditure for CIA employee's retirement benefit allocated at CHQ, overheads at CHQ and overheads at RHQ. The CHQ/ RHQ expense considered for apportionment have been netted off against the income received by CHQ/ RHQ.

4.16. The retirement benefit is allocated on the basis of number of employees at CIA. The Authority proposes to allocate the CHQ/ RHQ overhead expenses for the airport services after excluding the ANS expenses on revenue basis which is consistent with the approach adopted by the Authority in MYTP of 1st Control Period for Guwahati and Lucknow airports. The Authority observes that as per the above methodology the CHQ/ RHQ overhead expenses are allocated in proportion to the capacity of the airport to absorb higher cost of CHQ/ RHQ. Under this methodology, a portion of CHQ/ RHQ expenses are allocated to Delhi and Mumbai airports based on revenue received by AAI from these airports.

Table 11 - Summary of CHQ/ RHQ Overheads as submitted by AAI for 1st control period

No.	in ₹ crore	2012	2013	2014	2015	2016
Apportionment of CHQ/ RHQ overheads						
1	CHQ Expenses	259.3	331.2	303.8	397.3	404.6
2	Less - CHQ Revenue	93.8	152.6	183.5	236.8	227.7
3	Net CHQ Expenses (1-2)	165.6	178.7	120.3	160.5	176.9
1	Southern Region - RHQ Expenses	27.3	45.1	54.1	66.5	68.6
2	Less - Southern Region - RHQ Revenues	3.1	4.7	3.7	1.5	9.2
3	Net Southern Region RHQ Expenses (1-2)	24.2	40.5	50.4	65.1	59.4
	Total of Net CHQ and RHQ Expenses	189.7	219.1	170.7	225.6	236.3
	CHQ/ RHQ Overheads allocated to CIA	9.1	12.4	11.9	15.1	11.2
Apportionment of Retirement Benefits at CHQ						
	Total provision of retirement benefits at CHQ	159.7	289.4	160.0	275.2	182.9
	Provision of Retirement Benefits at CHQ for CIA	2.3	5.8	3.3	5.8	4.3

4.17. In view of the above, the O&M expenditure for 1st control period is given in table

below.

Table 12 - Summary of O&M expenditure as per the Authority for 1st control period -Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	Pay roll Expenditure of CIA	13.5	15.1	17.2	18.5	19.8
2	Expenditure for CIA employees' retirement benefits allocated at CHQ	2.3	5.8	3.3	5.8	4.3
A	Total Pay roll Expenditure (1+2)	15.8	21.0	20.5	24.3	24.1
3	Administrative and General Expenditure	4.7	5.8	3.1	3.3	3.8
4	Apportionment of administration & General expenditure of CHQ/RHQ	9.1	12.4	11.9	15.1	11.2
B	Total Administration & General Expenditure(3+4)	13.8	18.2	15.1	18.4	15.0
C	Repairs and Maintenance Expenditure	7.1	7.5	4.6	7.4	7.4
5	Power Charges	4.5	5.9	6.3	6.4	7.0
6	Water Charges	0.0	0.0	0.0	0.0	0.0
D	Utility and Outsourcing Expenditure	4.5	5.9	6.3	6.4	7.0
E	Other Outflows	0.1	0.1	0.1	0.1	0.1
	Total (A+B+C+D+E)	41.4	52.8	46.6	56.6	53.7

Adjustment in base year for calculating present value of shortfall

4.18. The Authority noted that the present value factor considered by AAI for the shortfall in aggregate revenue collection in comparison to allowable aggregate revenue for the 1st control period (refer to Table 6) is calculated as on 01.04.2017 instead of 01.04.2016. The Authority proposes to consider the present value of shortfall as on 01.04.2016.

Tax calculation for 1st control period

4.19. The tax calculation as submitted by AAI for 1st control period apportions actual tax liability of AAI based on the profit before tax of CIA and profit before tax of AAI.

4.20. The Authority noted that the tax liability of AAI would include tax as a result of income from Delhi and Mumbai airports. Therefore, the Authority proposes to determine tax for CIA by applying the provisional tax rates as applicable on the standalone profit before tax of the airport. In addition, for calculation of tax, the Authority proposes to determine depreciation considering the depreciation rates applicable under Income Tax laws.

4.21. AAI has submitted revised tax calculations based on standalone financials of CIA as shown below. The Authority proposes to consider the depreciation as submitted by AAI calculated based on Income Tax depreciation rates.

Table 13 – Revised amount of Tax as considered by the Authority for the 1st control period

Particular (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Aeronautical Revenues	49.2	51.2	51.3	53.7	40.3
Non-Aeronautical Revenues	21.9	26.6	29.0	33.3	36.0
O&M (excluding retirement benefits and CHQ/ RHQ Overheads)	29.9	34.5	31.3	35.7	38.2
Retirement benefits and CHQ/ RHQ Overheads	11.4	18.3	15.3	20.9	15.5
Depreciation as per IT Act	13.2	12.3	11.1	12.1	15.0
PBT	16.6	12.7	22.5	18.3	7.5
Tax	5.4	4.1	7.6	6.2	2.6

Revised Aggregate Revenue Requirement

4.22. The ARR for the 1st control period has been revised based on adjustments detailed above.

4.22.1. Change in depreciation rates as per Table 27

4.22.2. Change in RAB

4.22.3. Apportionment of CHQ/RHQ costs and change in tax calculation

4.22.4. Revenues from ground handling agencies, oil companies and cargo to be treated as aeronautical revenues

4.22.5. Correction of present value factor for shortfall calculation

Table 14 - ARR as per Authority for the 1st control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	95.0	97.5	97.4	100.6	113.9
Return on Average RAB@14%	13.3	13.6	13.6	14.1	16.0
Operating Expenditure	41.4	52.8	46.6	56.6	53.7
Depreciation	5.4	5.6	5.6	11.0	12.4
Corporate Tax	5.4	4.1	7.6	6.2	2.6
Less- Revenue from services other than Regulated services	21.9	26.6	29.0	33.3	36.0
ARR as per Authority	43.5	49.5	44.6	54.6	48.7
Total ARR as per Authority	240.9				
Discounted ARR	43.5	43.4	34.3	36.9	28.8
PV of ARR for the control	186.9				

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Period as on 01.04.2012					

4.23. Correspondingly, the shortfall during the 1st control period between permissible aeronautical revenues and actual aeronautical revenues is calculated as below:

Table 15 - ARR, yield and shortfall as per Authority for 1st control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year (refer Table 14)	43.5	49.5	44.6	54.6	48.7	240.9
2	Aeronautical Revenue	49.2	51.2	51.3	53.7	40.3	245.6
3	Shortfall/(Excess)	-5.7	-1.7	-6.7	1.0	8.4	-4.7
4	Future Value of shortfall/(Excess) as on 01.04.2016	-10.9	-2.9	-10.0	1.3	9.6	(12.9)

Proposal No. 1. True-up for the 1st control period

- 1.a. The Authority proposes to true-up the 1st control period on the basis of Single Till
- 1.b. The Authority proposes to apportion CHQ/RHQ overheads on revenue basis.
- 1.c. The Authority proposes to consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.
- 1.d. The Authority proposes the following depreciation rates.
 - a. For asset types not defined under Companies Act (runway, taxiway and aprons): 3.33% based on useful life of 30 years from FY 2011-12 onwards
 - b. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 27.
- 1.e. The Authority proposes to consider excess of ₹ 12.9 crores in the 1st control period for true-up in the 2nd control period.

5. Traffic forecast

5.1. The traffic growth rates as submitted by AAI for 2nd control period are as follows:

Table 16 - Traffic Growth rates assumed by AAI for the 2nd control period

YEAR	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2016-17	15%	8%	9%	10%	5%	6%
2017-18	10%	7%	8%	8%	6%	6%
2018-19	10%	7%	8%	8%	6%	6%
2019-20	10%	7%	8%	8%	6%	6%
2020-21	10%	7%	8%	8%	6%	6%

Authority's Examination

5.2. The Authority observed that the actual traffic figures are available for FY 2016-17 for CIA. Accordingly, AAI submitted that traffic growth rate for FY 2016-17 can be revised by the Authority based on the actual traffic during FY 2016-17. The Authority proposes to revise traffic growth rate for FY 2016-17 as per Table 18.

5.3. The Authority noted that the runway of CIA had been closed from 1200 hours to 2000 hours for the period between 18.09.2015 to 28.02.2017. AAI submitted that during the closure of runway Air India, Emirates and Saudi Arabian Airlines had withdrawn their wide body aircraft operations at CIA. The Authority noted that the international passenger traffic at CIA is more than 80% of the total passenger traffic and major impact of runway closure has been on international passenger and ATM traffic. As a result, the international passenger and ATM traffic growth rate had been negative at CIA during FY16 due to runway closure.

5.4. The Authority calculated CAGR (Compounded Annual Growth Rate) for ATM and passenger traffic from FY 2010-11 to FY 2015-16 (5 year CAGR) and from FY 2005-06 to FY 2015-16 (10 year CAGR) for CIA. Further, to consider the impact of runway closure, the Authority excluded FY 2015-16 traffic data and calculated CAGR for ATM and passenger traffic from FY 2009-10 to FY 2014-15 (5 year CAGR) and from FY 2004-05 to FY 2014-15 (10 year CAGR). The details have been provided in table below:

Table 17 - CAGR for traffic at CIA

	Growth rates as per AAI (FY18 to FY21)	10 Year CAGR (FY06 to FY16)	10 Year CAGR (FY05 to FY15)	5 Year CAGR (FY11 to FY16)	5 Year CAGR (FY10 to FY15)
Passenger					
Dom.	10%	7%	5%	10%	8%
Int.	7%	10%	14%	1%	7%
ATM					
Dom.	8%	8%	8%	4%	1%
Int.	6%	4%	6%	0%	0%

5.5. After evaluation of 5 and 10 year CAGR of traffic, the Authority proposes to adopt growth rates for passenger and ATM traffic from FY 2017-18 to FY 2020-21 as submitted by AAI.

Table 18 – Traffic growth rates and Traffic as considered by Authority for 2nd control period

	Passenger			ATM		
Year	Domestic	International	Combined	Domestic	International	Combined
Growth Rates						
2016-17*	20.1%	14.0%	15.0%	3.2%	17.1%	14.3%
2017-18	10.0%	7.0%	7.5%	8.0%	6.0%	6.4%
2018-19	10.0%	7.0%	7.5%	8.0%	6.0%	6.4%
2019-20	10.0%	7.0%	7.5%	8.0%	6.0%	6.4%
2020-21	10.0%	7.0%	7.5%	8.0%	6.0%	6.4%
Traffic						
2016-17	439,980	2,211,108	2,651,088	3,585	16,141	19,726
2017-18	483,978	2,365,886	2,849,864	3,872	17,109	20,981
2018-19	532,376	2,531,498	3,063,873	4,182	18,136	22,318
2019-20	585,613	2,708,702	3,294,316	4,516	19,224	23,740
2020-21	644,175	2,898,312	3,542,486	4,877	20,378	25,255

* actual traffic growth for FY 2016-17

5.6. The Authority proposes to true-up traffic as per actual growth achieved during the current control period at the time of determination of tariff for 3rd control period as explained in earlier orders of the Authority.

Proposal No. 2. Traffic Forecast

2.a. The Authority proposes to consider the ATM and passenger traffic as per Table 18.

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

6. Allocation of Assets (Aeronautical and Non-Aeronautical)

6.1. Under a Hybrid Till, only aeronautical assets are included as part of the RAB. As a result of the shift from Single Till to Hybrid Till at the end of 1st control period, the assets need to be segregated and opening RAB for 2nd control period needs to be recalculated.

6.2. For the allocation of assets between aeronautical and non-aeronautical services, AAI had divided assets into aeronautical, non-aeronautical and common components. Common components have been further segregated into aeronautical and non-aeronautical assets by applying one of the following three ratios:

- a) Terminal Area Ratio - ratio of aeronautical area to non-aeronautical area (applied for Terminal related assets)
- b) Employee Ratio - ratio of staff providing commercial services (7 employees) to staff providing aeronautical services (188 employees)
- c) Quarters ratio – ratio of staff providing commercial service staying in residential building (2 employees) to staff providing aeronautical service staying in residential building (73 employees)

6.3. The allocation of gross block of assets as on 01.04.2016 as submitted by AAI is given in the table below:

Table 19 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as submitted by AAI

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Land	24.5	24.5	100.0%
2	Runways	116.0	116.0	100.0%
3	Aprons	24.7	24.7	100.0%
4	Road, Bridges & Culverts	7.4	7.6	98.2%
5	Building- Terminal	64.9	69.1	93.8%
6	Building - Temporary	0.0	0.0	100.0%
7	Building - Residential	3.3	3.4	97.3%
8	Security Fencing - Temporary	0.0	0.0	100.0%
9	Boundary Wall -Operational	2.8	2.8	100.0%
10	Other Building - Unclassified	12.4	12.5	99.7%
11	Computer & Peripherals	0.5	0.5	100.0%
12	Intangible Assets- Software	0.3	0.3	100.0%
13	Plant & Machinery	9.7	9.7	99.6%
14	Tools & Equipment	4.0	4.0	99.9%
15	Office Furniture	0.5	0.5	100.0%
16	Other Vehicles	1.2	1.2	100.0%

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
17	Vehicle- Cars & Jeeps	0.4	0.4	100.0%
18	Electrical Installations	66.2	66.4	99.7%
19	Other Office Equipment	0.1	0.1	75.9%
20	Furniture & Fixtures	1.9	1.9	100.0%
21	X-ray Baggage System	5.0	5.0	100.0%
22	CFT/Fire Fighting Equipment	21.3	21.3	100.0%
	Total	366.9	371.8	98.7%

Authority's Examination

Allocation based on Terminal Area Ratio

6.4. AAI submitted the workings for the calculation of aeronautical area to non-aeronautical area ratio vide letter dated 21.12.2016.

Table 20 – Workings of Terminal Area Ratio calculation as submitted by AAI for FY 2015-16

S.No.	Category	Domestic Terminal (Sq.m)	International Terminal (Sq.m)	Total (Sq.m)
	Non-Aeronautical Area			
1	Restaurant / Snack Bars	30.0	600.0	630.0
2	T.R. Stall	16.8	109.3	126.1
3	Duty Free Shop	0.0	355.6	355.6
4	Hoarding & Display	0.0	0.0	0.0
5	Building Non-Residential	433.7	1,580.9	2,014.6
6	Admission Tickets	2.0	4.0	6.0
7	Cargo	0.0	0.0	0.0
8	Offices of AAI commercial, land & rest room	123.1	76.9	200.0
	Total Non-Aeronautical Area	605.6	2,726.7	3,332.3
	Total Terminal Area	16,144	27,090	43,234
	Ratio of Non-Aeronautical to Total Terminal Area			7.7%

6.5. AAI submitted vide letter dated 06.06.2017 that a master concessionaire would be appointed in FY 2018-19 for management of the non-aeronautical area for Food & Beverages (F&B) and Retails at Calicut airport. Additional area under master concessionaire for these non-aeronautical activities would be 719 sq. m. Further, AAI submitted that the new international arrival block of 17,000 sq. m. would be commissioned in FY 2018-19. Non-Aeronautical area in this new international arrival block would be 316.8 sq. m. Due to commission of the new international arrival block, AAI submitted that the Terminal Area ratio would decrease to 7.25% from FY 2018-19

onwards.

6.6. The Authority proposes to adopt 92.29% as aeronautical area based on the terminal building ratio in FY 2016-17 for asset allocation of Terminal related assets. Terminal area ratio proposed by the Authority is higher than the terminal area ratio in FY 2018-19 to encourage growth of NAR which would cross-subsidize aeronautical charges.

6.7. Specific assets under Other Buildings, Furniture & Fixtures, Plant & machinery, Tools & Equipment and other office equipment inside Terminal Building have been considered as aeronautical by AAI. The Authority proposes to allocate these assets in the ratio of 92.3% to 7.7%.

6.8. Specific assets under Electrical Installations related to the Terminal Building have been considered as aeronautical by AAI. The Authority proposes to allocate these assets in the ratio of 92.3% to 7.7%.

6.9. Assets related to vehicles have been considered as aeronautical assets by AAI. The Authority proposes to use the employee ratio of 96% (ratio of employees for aeronautical activities to total employees) for allocation of specific assets related to vehicles.

6.10. The asset allocation proposed by Authority is tabulated below:

Table 21 – Change in allocation of gross block of assets existing as on 01.04.2016 between aeronautical and non-aeronautical services proposed by the Authority

Sr. No.	Particulars	Aero Assets	Justification
1	Road, Bridges & Culverts	86.1%	Total assets are ₹ 7.6 crores out of which ₹ 6.5 crores are purely aeronautical assets. Car park related assets have been considered as non-aeronautical assets.
2	Building- Terminal	90.5%	Total assets are ₹ 69.1 crores out of which ₹ 3.5 crores are purely aeronautical assets and common assets are ₹ 65.6 crores. Common assets have been allocated based on 92.3% ratio as aeronautical assets.
3	Residential Building	97.3%	Total assets of ₹ 3.4 crores are common assets. Common assets have been allocated based on quarters ratio as aeronautical assets.

Sr. No.	Particulars	Aero Assets	Justification
4	Other Building – Unclassified	99.6%	Total assets are ₹ 12.5 crores out of which ₹ 11.7 crores are purely aeronautical assets and common assets are ₹ 0.7 crores. Common assets have been allocated based on 92.3% ratio and employee ratio as aeronautical assets.
5	Plant & Machinery	94.6%	Total assets are ₹ 9.7 crores out of which ₹ 4.4 crores are purely aeronautical assets and common assets are ₹ 5.3 crores. Common assets have been allocated based on 92.3% ratio as aeronautical assets.
6	Tools & Equipment	91.8%	Total assets are ₹ 4.0 crores out of which ₹ 0.7 crores are purely aeronautical assets and common assets are ₹ 3.3 crores. Common assets have been allocated based on 92.3% ratio as aeronautical assets.
7	Other Vehicles	99.6%	Total assets are ₹ 1.2 crores out of which ₹ 1.0 crores are purely aeronautical assets and common assets are ₹ 0.1 crores. Common assets have been allocated based on employee ratio as aeronautical assets.
8	Vehicle- Cars & Jeeps	98.9%	Total assets are ₹ 0.4 crores out of which ₹ 0.3 crores are purely aeronautical assets and common assets are ₹ 0.1 crores. Common assets have been allocated based on employee ratio as aeronautical assets.
9	Electrical Installations	98.9%	Total assets are ₹ 66.4 crores out of which ₹ 58.9 crores are purely aeronautical assets and common assets are ₹ 7.5 crores. Common assets have been allocated based on 92.3% ratio as aeronautical assets.
10	Office Equipment	75.6%	Total assets are ₹ 0.12 crores out of which ₹ 0.08 crores are purely aeronautical assets, ₹ 0.01 crores are purely non-aeronautical assets and common assets are ₹ 0.01 crores. Common assets have been allocated based on 92.3% ratio as aeronautical assets.
11	Furniture & Fixtures	96.8%	Total assets are ₹ 1.9 crores out of which ₹ 1.3 crores are purely aeronautical assets and common assets are ₹ 0.6 crores. Common assets have been allocated based on 92.3% ratio as aeronautical assets.

6.11. The cost of land has been excluded from the RAB of 2nd control period as in para 4.11.

6.12. The allocation of gross block of assets as on 01.04.2016 as considered by the Authority based on revised asset allocation and exclusion of land is given in the table below:

Table 22 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as considered by the Authority

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Land	0.0	0.0	-
2	Runways	117.2	117.2	100.0%
3	Aprons	24.7	24.7	100.0%
4	Road, Bridges & Culverts	6.5	7.6	86.1%
5	Building- Terminal	64.1	69.1	92.7%
6	Building - Temporary	0.0	0.0	100.0%
7	Building - Residential	3.3	3.4	97.3%
8	Security Fencing - Temporary	0.0	0.0	100.0%
9	Boundary Wall -Operational	2.8	2.8	100.0%
10	Other Building - Unclassified	12.4	12.5	99.7%
11	Computer & Peripherals	0.5	0.5	100.0%
12	Intangible Assets- Software	0.3	0.3	100.0%
13	Plant & Machinery	9.3	9.7	95.8%
14	Tools & Equipment	3.7	4.0	93.7%
15	Office Furniture	0.5	0.5	100.0%
16	Other Vehicles	1.2	1.2	99.6%
17	Vehicle- Cars & Jeeps	0.4	0.4	98.9%
18	Electrical Installations	65.8	66.4	99.1%
19	Other Office Equipment	0.1	0.1	75.9%
20	Furniture & Fixtures	1.8	1.9	97.5%
21	X-ray Baggage System	5.0	5.0	100.0%
22	CFT/Fire Fighting Equipment	21.3	21.3	100.0%
	Total	340.9	348.5	97.8%

Proposal No. 3. Allocation of assets between Aeronautical and Non-aeronautical services

3.a.The Authority proposes the allocation of assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 22.

7. Opening Regulatory Asset Base for Second control period

7.1. Opening RAB for 2nd control period under Hybrid Till as per AAI submission dated 08.03.2017 is ₹ 97.8 crores

Table 23 - Calculation of opening RAB as on 1st April 2016 as per AAI submission – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding CNS/ATM related assets as on 01.04.2011	296.5
2	Aeronautical asset addition during the 1 st control period	70.4
3	Cost of Airport Aeronautical Assets [(1)+(2)] as on 01.04.2016	366.9
4	Accumulated Depreciation as on 01.04.2016	269.1
5	Opening RAB[(3)-(4)] as on 01.04.2016	97.8

7.2. The Authority proposes to adopt depreciation rates as detailed earlier in para 4.7 for calculating RAB for 2nd control period.

7.3. The Authority proposes the allocation of assets between aeronautical and non-aeronautical assets as detailed in Table 22.

7.4. Based on revised depreciation rates and revised asset allocation, the opening RAB for 2nd control period considered by the Authority under Hybrid Till is as per table below.

Table 24 - Calculation of opening RAB as on 1st April 2016 as per the Authority – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding CNS/ATM related assets as on 01.04.2011	271.3
2	Aeronautical asset addition during the 1 st control period	69.6
3	Cost of Airport Aeronautical Assets [(1)+(2)] as on 01.04.2016	340.9
4	Accumulated Depreciation as on 01.04.2016	221.2
5	Opening RAB[(3)-(4)] as on 01.04.2016	119.7

Proposal No. 4. Opening Regulatory Asset Base for the 2nd control period

4.a. The Authority proposes to consider the opening regulatory base for the 2nd control period under Hybrid Till as per Table 24.

8. Capital Expenditure for Second control period

8.1. AAI has forecasted aeronautical capital expenditure of ₹ 696.5 crores for the 2nd control period as shown below:

Table 25 – Aeronautical assets to be capitalized at CIA for 2nd control period as per AAI

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runways	0.0	50.9	0.0	0.0	0.0
2	Aprons	0.0	0.0	0.0	0.0	200.0
3	Road, Bridges & Culverts	0.9	0.0	50.0	0.0	0.0
4	Building- Terminal	0.0	0.0	82.8	0.0	276.9
5	Building - Residential	0.2	0.0	0.0	0.0	0.0
6	Other Building - Unclassified	6.1	0.0	9.7	0.0	0.0
7	Electrical Installations	18.9	0.0	0.0	0.0	0.0
	Total	26.2	50.9	142.6	0.0	476.9

8.2. AAI has submitted following details of the proposed capital works to be undertaken during the control period:

8.2.1. Resurfacing and strengthening of runway

The Resurfacing and strengthening of runway is a regular maintenance activity and is taken up periodically to remove the wear and tear of Runway surface due to regular aircraft operations. Due to ongoing operations, the work of resurfacing and strengthening of Runway needs to be carried out in the balance time by taking NOTAM, due to which the time period gets elongated.

The existing table top Runway 10-28 is having a dimension of 2860 m X 45 m. Runway resurfacing was earlier carried out in 2007-2009. During April 2014 Consultancy service for strengthening of existing Runway including planning distress evaluation, design and estimation at Calicut International airport was awarded to M/S Central Road Research Institute. Proposals for resurfacing total Runway with DBM, SDAC and DAC layers were recommended by M/S CRRI.

8.2.2. Construction of new international arrival block, internal modification of existing international passengers terminal building and associated works

The existing international terminal building was commissioned in July 2007 and the existing Domestic Terminal Building was modified and commissioned in

February 2008. Calicut Airport has witnessed unprecedented growth in International traffic due to which the existing facilities are getting congested in the Terminal Building. In order to improve the passenger areas, it was decided that new Arrival Block be constructed within the available land. Along with the new Arrival Block, the internal modifications of existing International Passengers Terminal Building is also proposed to streamline the passenger flow. The new Arrival Block will add 17,000 Sq.m area to the passenger Terminal Building and the International peak hour capacity will increase from 916 to 1,500 pax.

8.2.3. Construction of multi-level car park

As Calicut Airport is developed on a hill top, the land on city side is very limited. Within the limited land, the capacity also gets reduced due to sloping terrain. The old car park in front of ATC Tower cum Technical Block is at different levels. The other car park is located behind the Fire Station near AC Plant Room. There is an acute paucity of car parking space. Due to site conditions, a deep low lying area was created between the city side road and entry road from city. Due to lack of sufficient car parking space, it is found that vehicles are parked in front of terminal blocking the main exit road.

The Consultancy work for preparation of Feasibility Report and Transaction Advisory services to take a decision regarding construction of multi-level car park in front of Terminal Building has been awarded to M/s JLL (Jones Lang Lasalle Property Consultants India Pvt. Ltd.)

8.2.4. Construction of new terminal building, new apron, link taxi and associated facilities

As per DGCA CAR, the provision of 300m wide basic strip at licensed airports is mandatory. In order to comply with DGCA CAR provisions, AAI projected 137 acres of land to the State Govt. for development of New Terminal Building, Apron, Cargo Terminal and other associated facilities.

The New Integrated Terminal Building will have to be designed to handle peak hour capacity of 4,274 pax (3,634 Int'l + 640 Dom). The Terminal Building area

required would be 1,06,850 Sq.m as per IMG norms. The associated apron will be suitable to park 26 aircraft at any given time. Associated facilities such as car parking, A/C plant room, Elect. Sub Station, DG shed, Cargo terminal, city side development etc. shall be taken up on receipt of requested land. The land is yet to be handed over to AAI. The proposal is at planning stage.

Authority's Examination

- 8.3. The Authority requested AAI to submit the Capex to be incurred in FY 2016-17. In response to this, AAI vide submission dated 08.03.2017 provided the revised capital expenditure to be incurred in FY 2016-17 and 2nd control period. AAI had further in their submission dated 21.04.2017 updated the Capex for 2nd control period. The Authority proposes to update the Capex in the 2nd control period based on the clarifications from AAI dated 21.04.2017.
- 8.4. The Authority noted that total capital expenditure for new terminal building and the new apron which is proposed to be capitalized in FY 2020-21 is ₹ 300 crores and ₹ 200 crores respectively. The Authority notes that the capital expenditure for new terminal building and new apron is tentative and hence proposes to exclude the same for the tariff determination in the 2nd control period. In case AAI incurs the capital expenditure towards the new terminal building and new apron and capitalizes the same during the 2nd control period, it will be trued up while determining tariff for 3rd control period.
- 8.5. The Authority noted that AAI has included capital expenditure of ₹ 50 crores for construction of multilevel car park to be capitalized in FY 2018-19 while calculating RAB under Hybrid Till. As car park is a non-aeronautical service, the Authority proposes not to consider the ₹ 50 crores as aeronautical capital expenditure towards construction of multilevel car park during the 2nd control period.
- 8.6. The Authority noted that AAI vide submission dated 08.03.2017 provided that aeronautical Capex towards construction of new international arrival block, internal modification of existing international passengers terminal building and associated works is ₹ 82.8 crores out of total project cost of ₹ 85.8 crores as given in the justification documents. AAI in their clarifications dated 21.04.2017 submitted that the aeronautical component of the said work is ₹ 78.6 crores allocated based on 92.3% to

7.7% terminal building ratio. The Authority proposes to consider the same for tariff determination.

Table 26 - Revised aeronautical capital expenditure for 2nd control period as considered by the Authority

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runways	28.4	0.0	0.0	0.0	0.0
2	Aprons	0.0	0.0	0.0	0.0	0.0
3	Road, Bridges & Culverts	0.9	0.0	0.0	0.0	0.0
4	Building- Terminal	0.0	0.0	78.6	0.0	0.0
5	Building – Residential	0.3	0.0	0.0	0.0	0.0
6	Other Building - Unclassified	6.2	0.0	10.0	0.0	0.0
7	Electrical Installations	21.0	7.9	0.0	0.0	0.0
	Total (₹ 153 crore)	56.7	7.9	88.6	0.0	0.0

8.7. The Authority proposes to consider the total aeronautical capital expenditure to be capitalized and added to RAB at ₹ 153 crores.

8.8. The Authority notes that the cost of the planned works is indicative. The Authority proposes to consider the addition to aeronautical assets during the 2nd control period as given in Table 26 subject to true-up of RAB based on actual aeronautical asset addition while determining tariffs for the 3rd control period.

8.9. The Authority expects AAI to provide all the required project information as part of the consultation process with users for projects where user consultation is required as per guidelines. AAI has submitted user consultation for construction of new international arrival building, infrastructure development of Calicut international airport (new terminal building) and strengthening and re-carpeting of runway.

Proposal No. 5. Capital Expenditure

5.a. The Authority proposes to consider allowable project cost of ₹ 153 crores and accordingly to reckon the amount of ₹ 153 crores as addition for total assets during the 2nd control period.

5.b. AAI should undertake user stakeholder consultation process for major Capex items as per the Guidelines.

5.c. The Authority proposes to true-up the Opening RAB of the next control period depending on the Capex incurred and date of capitalisation of underlying assets in a

given year.

9. Depreciation

9.1. AAI has submitted that the depreciation rates used are as per AAI's approved accounting policy. The salient aspects of AAI's depreciation policy being followed are as under:

9.1.1. Method of depreciation: straight line;

9.1.2. 100% of depreciation rates of assets if 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 is charged at 50% of the depreciation rates. This policy is effective from the financial year 2012-13;

9.1.3. Residual value for each asset is taken as Re.1 balance to be provided by way of depreciation as per prescribed rates.

Authority's Examination

9.2. The Authority notes that the depreciation policy of AAI is not in accordance with the depreciation rates adopted by the Authority in other private airports. AAI is a statutory body established under the AAI Act and it does not come under the Companies Act. The Board of AAI has approved the depreciation policy that has been adopted by AAI.

9.3. The Authority notes that on some of the assets the depreciation charged by AAI is not in line with the Companies Act 2013. The Authority is of the view that adoption of 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. apron, taxiway and runway in the Companies Act 2013 or 1956 or in the Income Tax Act 1961.

9.4. In this regard, the Authority has separately commissioned a study to determine appropriate depreciation rates for regulation of airports in line with the provisions of the Companies Act 2013. The Authority proposes to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.

9.5. In light of above, for the categories of assets (runway, taxiway and apron) where no

specific depreciation rate/ useful life has been mentioned in the Companies Act, the Authority proposes to adopt depreciation rate of 3.33%. This rate is proposed to be applied on runway, taxiway and apron assets existing as on 01.04.2011 and on these assets added during 1st and 2nd control period.

9.6. The Authority proposes to adopt the depreciation rates mentioned under Companies Act for assets as per the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014.

9.7. The Authority proposes that for the new assets to be capitalized in the 2nd control period, depreciation is charged at 50% of the depreciation rates in the year of capitalization.

9.8. The depreciation rates as submitted by AAI and as considered by the Authority during the 1st and 2nd control period are given below:

Table 27 - Depreciation rates as submitted by AAI and as considered by the Authority

No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
1	Land	0%	0%	0%
2	Runways	13.00%	3.33%	3.33%
3	Aprons	13.00%	3.33%	3.33%
4	Road, bridges & culverts	13.00%	1.63%	3.33%
5	Building- Terminal	8.00%	1.63%	3.33%
6	Building - Temporary	100%	100%	33%
7	Building - Residential	5.00%	1.63%	3.33%
8	Security Fencing - Temporary	100%	100%	33%
9	Boundary Wall -Operational	8.00%	1.63%	3.33%
10	Other Building - Unclassified	8.00%	1.63%	3.33%
11	Computer & Peripherals	20.00%	16.21%	16.67%
12	Intangible Assets- Software	20.00%	20%	20.00%
13	Plant & Machinery	11.00%	4.75%	6.67%
14	Tools & equipment	20.00%	4.75%	6.67%
15	Office furniture	20.00%	6.33%	10.00%
16	Other vehicles	14.00%	9.50%	12.50%
17	Vehicle- Cars & Jeeps	14.00%	9.50%	12.50%
18	Electrical installations	11.00%	4.75%	10.00%
19	Other office equipment	18.00%	4.75%	20.00%

No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
20	Furniture & Fixtures	20.00%	6.33%	10.00%
21	X-ray baggage System	11.00%	4.75%	6.67%
22	CFT/Fire Fighting equipment	13.00%	4.75%	6.67%

9.9. The revised depreciation for the 2nd control period as per Hybrid Till as proposed by the Authority is given below:

Table 28 - Authority's consideration on depreciation for the 2nd control period – Hybrid Till

No.	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	As per AAI	19.6	23.8	36.0	32.1	78.4	189.9
2	As per Authority	13.6	14.7	14.5	15.0	14.1	71.9

Proposal No. 6. Treatment of Depreciation

6.a. The Authority proposes to adopt depreciation rates as per Table 27 and depreciation for the 2nd control period as per Table 28.

6.b. The Authority proposes to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.

10. RAB for Second control period

10.1. AAI has submitted RAB for 2nd control period under Hybrid Till as follows:

Table 29 - Summary of the RAB and Depreciation for CIA (Airport Services) as per AAI for the 2nd control period

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	97.8	104.4	131.5	238.1	206.0
B	Aeronautical Additional Assets capitalized during the year	26.2	50.9	142.6	0.0	476.9
C	Disposals/Transfers	-	-	-	-	-
D	Depreciation	19.6	23.8	36.0	32.1	78.4
E	Closing Aeronautical RAB (A+B-C-D)	104.4	131.5	238.1	206.0	604.4
	Average RAB (A+E)/2	101.1	117.9	184.8	222.0	405.2

Authority's Examination

10.2. The Authority proposes to adopt opening RAB for FY 2016-17 as detailed in Table 24.

10.3. The Authority proposes to adopt depreciation as proposed in Table 28.

10.4. The Authority proposes ₹ 153 crores as the addition of aeronautical assets to RAB as detailed in Table 26.

10.5. The revised RAB as calculated by the Authority for 2nd control period under Hybrid Till is as follows:

Table 30 - Summary of forecast and Roll forward RAB and Depreciation for CIA (Airport Services) considered by the Authority for 2nd control period – Hybrid Till

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	119.7	162.9	156.1	230.2	215.2
B	Aeronautical Assets capitalized during the year	56.7	7.9	88.6	0.0	0.0
C	Disposals/Transfers	0.0	0.0	0.0	0.0	0.0
D	Depreciation	13.6	14.7	14.5	15.0	14.1
E	Closing Aeronautical RAB (A+B-C-D)	162.9	156.1	230.2	215.2	201.1
	Average RAB (A+E)/2	141.3	159.5	193.2	222.7	208.1

10.6. The Authority proposes to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates, at the time of determination of tariff for the 3rd

control period.

Proposal No. 7. RAB for 2nd control period

7.a. The Authority proposes to consider RAB for 2nd control period as given in Table 30

7.b. The Authority proposes to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.

11. Cost of Equity, Cost of Debt, Gearing, and Fair Rate of Return (FRoR)

11.1. AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority in Chennai, Kolkata Guwahati and Lucknow Airports for the 1st control period.

11.2. AAI has not apportioned any debt for CIA and financing activities are undertaken centrally at the corporate office of AAI. Due to lack of any debt on CIA's books, FRoR is determined based on capital structure of AAI as a whole.

Authority's Examination

11.3. The Authority has recognised that AAI's capital structure may not be regarded as an efficient one in that it doesn't optimize the cost of funds from a regulatory perspective. The Authority desires that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing. The Authority may also consider a normative capital structure to determine the FRoR at a later date. It may not be reasonable to expect AAI to contract large amounts of debt over a short period of time.

11.4. The Authority notes that as per a study conducted in respect of the 'Fair Rate of Return Estimation for AAI' in July 2011 it estimated a figure of 14.96% as Fair Rate of Return for AAI. The Authority notes that it has considered FRoR at 14% for Chennai and Kolkata airport in the 1st control period considering the recommendations of another study done by NIPFP. Based on the decision taken for Chennai and Kolkata airport, the Authority considered FRoR at 14% for Guwahati and Lucknow airport for 1st control period.

11.5. Based on the above, the Authority proposes to consider FRoR at the rate of 14% for CIA for the 1st and 2nd control period as submitted by AAI.

Proposal No. 8. FRoR

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

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

12. Revenue from services other than aeronautical services

12.1. AAI has forecasted revenue from services other than aeronautical services as below:

Table 31 - Revenue from Non-aeronautical Services – Projected by AAI for 2nd control period

No.	Revenue from services other than Regulated Services (₹ crore)	2015-16 (base)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Restaurant & Snack Bar	1.6	1.8	2.1	2.4	2.7	3.2
2	Stalls	1.0	1.1	1.3	1.5	1.7	2.0
3	Duty Free Shops	11.9	13.6	15.5	17.7	20.2	24.2
4	Advertisement	1.7	1.9	2.1	2.3	2.5	3.0
5	Land Rent	1.5	1.6	1.8	1.9	2.0	2.2
6	Space Rent	13.6	14.9	16.4	18.0	19.9	23.8
7	Airport Admission Ticket	1.1	1.2	1.3	1.4	1.6	1.9
8	Car Parking	1.7	1.9	2.0	2.2	2.5	3.0
9	Miscellaneous Income (including cargo handling)	3.3	3.6	3.9	4.3	4.8	5.7
10	Interest from Staff Advances and other Incomes	0.4	0.4	0.4	0.5	0.5	0.6
11	Profit on sale of fixed asset	0.0	-	-	-	-	-
	Total	37.7	42.0	46.8	52.2	58.2	69.5

12.2. The growth rates assumed by AAI for forecasting non aeronautical revenues are given below:

Table 32 – Assumption (growth rates) for Service other than Regulated Services for the 2nd Control Period as per AAI

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
1	Restaurant & Snack bar	14%	14%	14%	14%	20%
2	Stalls	14%	14%	14%	14%	20%
3	Duty Free Shops	14%	14%	14%	14%	20%
4	Advertisement	10%	10%	10%	10%	20%
5	Land Rent	7.5%	7.5%	7.5%	7.5%	7.5%
6	Space Rent	10%	10%	10%	10%	20%
7	Airport Admission Ticket	10%	10%	10%	10%	20%
8	Car Parking	10%	10%	10%	10%	20%
9	Miscellaneous Income (including cargo handling)	10%	10%	10%	10%	20%
10	Interest from Staff Advances and other Incomes	10%	10%	10%	10%	10%

- 12.3. The Authority noted that as part of the clarifications provided dated 21.04.2017, AAI has revised the growth rates to 10% for revenues from services other than regulated services except for land lease revenues. AAI further submitted on 06.06.2017 that the growth rate for Restaurant & Snack Bar, Stalls and Building Space Rent for FY 2018-19 would be 11% due to appointment of master concessionaire in FY 2018-19 and commissioning of the new international arrival block in FY 2018-19. The Authority proposes to consider the revised growth rates as submitted by AAI vide letters dated 21.04.2017 and 06.06.2017 for the determination of tariff for the 2nd control period.
- 12.4. AAI clarified that the Terminal building will come up in second half of FY 2020-21. Due to above reason non aeronautical revenues have been increased with previous year growth rate in the FY 2020-21. The impact due to new terminal building on non-aeronautical revenues will be reflected in 3rd control period.
- 12.5. The Authority proposes that non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues. The Authority proposes to accept the revenues from services other than regulated services as submitted by AAI except for adjustments as detailed below.

Adjustment of revenues from cargo, ground handling and fuel services

- 12.6. AAI has allotted following land to ground handling and fuel companies for their operations. AAI has considered income from such land lease as non-aeronautical revenues

Table 33 – Details of land allotted to ground handling and supply of fuel service providers in 2nd control period

Service	Service Provider	Land Allocated (Sq.m)	Land Lease revenues (FY 2015-16) ₹ crore
Ground Handling	Bhadra International	2,000	0.33
Ground Handling	Airworks Engg. India Pvt. Ltd.	42	0.01
Supply of Fuel to Aircraft	HPCL	3,800	0.47
Supply of Fuel to Aircraft	IOCL	3,500	

- 12.7. The Authority noted that land lease revenues from ground handling agencies is reduced in FY 2016-17 as GHA has surrendered 1,000 Sq.m. land (out of total 3,000 Sq.m.) back to AAI on 08.05.2016.
- 12.8. AAI has allotted some space in terminal building to ground handling agencies and the rent received for the space allotted is considered by AAI as non-aeronautical revenues. AAI has received ₹ 0.25 crores from the space rent from ground handling agencies in FY 2015-16.
- 12.9. The Authority also noted that the revenue share from KSIE Ltd for cargo operations is considered as non-aeronautical revenues by AAI. AAI has earned ₹ 0.66 crores from revenue share from KSIE Ltd in FY 2015-16.
- 12.10. As per the provisions of the AERA Act, services rendered in respect of cargo, ground handling and fuel supply are aeronautical services.
- 12.11. The Authority noted that AAI in their submission dated 08.03.2016 have increased land lease rentals from cargo, ground handling agencies and oil companies by 7.5% per annum from FY 2017-18 onwards and proposes to accept the same. The Authority noted that AAI has increased rent revenues from building non-residential for GH agencies by 10% from FY 2017-18 onwards and proposes to accept the same. The Authority also noted that AAI has increased revenue share from cargo by 10% and proposes to accept the same.
- 12.12. The Authority proposes to consider land lease revenues, building non-residential rent revenues and revenue share on account of the aeronautical services of cargo, ground handling and fuel services as aeronautical revenue.

Adjustment of commissioning of new terminal

- 12.13. The Authority noted that the new terminal is expected to be commissioned in the last tariff year of the 2nd control period. AAI has submitted that commercial contracts for the integrated terminal are expected to be awarded in the 3rd control period and has thus not included corresponding revenues in 2nd control period.
- 12.14. The Authority expects AAI to utilize its resources better and maximize its non-aeronautical revenue to keep the aeronautical tariff down.

12.15. The Authority proposes to consider non-aeronautical revenues as given below:

Table 34 – Adjustment to Revenue from Non-aeronautical Services considered by Authority for 2nd control period

Revenue from services other than Regulated Services (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Aeronautical Revenues as per AAI (A)	42.0	46.8	52.2	58.2	69.5
Adjustment:					
Change in Revenue from cargo, ground handling and fuel services considered as aeronautical revenues (B) and change due to revision of growth rates	2.4	3.3	4.2	5.5	11.5
Non-Aeronautical Revenues as per Authority (A-B)	39.5	43.5	48.0	52.8	58.0

Proposal No. 9. Non Aeronautical Revenues

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

9.b. The Authority proposes to consider the Non Aeronautical Revenue as per Table 34

9.c. The Authority proposes that non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.

13. Operation and Maintenance Expenditure

13.1. Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into:

(i) Payroll expenses; (ii) Admin and General Expenditure; (iii) Repair and Maintenance Expenditure; (iv) Utilities and Outsourcing Expenditure; and (v) Other Outflows

13.2. Summary of aeronautical expenses proposed by AAI for 2nd control period is as below:

Table 35 - Summary of Aeronautical O&M expenditure as submitted by AAI for 2nd control period on Hybrid Till

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of CIA	20.8	29.1	31.6	34.4	37.4
2	Expenditure for CIA employees' retirement benefits allocated at CHQ	4.6	4.8	5.0	5.3	5.5
A	Total Pay roll Expenditure (1+2)	25.3	33.9	36.6	39.7	43.0
3	Administrative and General Expenditure	3.9	4.3	4.7	5.2	5.7
4	Apportionment of administration & General expenditure of CHQ/RHQ	11.8	12.3	13.0	13.6	14.3
B	Total Administration & General Expenditure(3+4)	15.7	16.7	17.7	18.8	20.0
C	Repairs and Maintenance Expenditure (Total)	7.9	8.6	9.5	10.5	11.5
5	Power Charges	7.0	7.0	7.0	7.0	7.0
6	Water Charges	0.0	0.0	0.0	0.0	0.0
D	Utility and Outsourcing Expenditure (5+6)	7.0	7.0	7.0	7.0	7.0
E	Other Outflows	0.1	0.1	0.2	0.2	0.2
	Total (A+B+C+D+E)	56.0	66.3	71.0	76.1	81.6

13.3. The details of the assumptions made by AAI for O&M Expenditure are given below:

Table 36 – Assumptions made by AAI for each item of O&M expenditure

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
1	Payroll Expenses					
	Salaries and Wages	9%	40%	9%	9%	9%
	PF contribution	9%	40%	9%	9%	9%
	Fringe benefits including perks & medical expenses	9%	40%	9%	9%	9%
	Overtime	5%	40%	5%	5%	5%

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
	Allocation of Retirement Benefit provided at CHQ in r/o CIA Employees	5%	5%	5%	5%	5%
2	R&M Expenses	10%	10%	10%	10%	10%
3	Utility and outsourcing Expenditure					
	Power & Water charges	0%	0%	0%	0%	0%
4	Administration and General Expenditure					
	Admin & General Expenses	10%	10%	10%	10%	10%
	Other fees like Aerodrome licensing	0%	0%	0%	0%	0%
	Interest & Solatium on land acquisition	5%	5%	5%	5%	5%
	Apportionment of CHQ/RHQ Expenses	5%	5%	5%	5%	5%
5	Other Outflows					
	Collection charges on PSF	5%	7%	7%	7%	7%

* Higher growth rate for increase in Payroll costs in FY 2017-18 is due to 7th Pay Commission revision

13.4. AAI has segregated total O&M expenditure for the 2nd control period into aeronautical expenses, non-aeronautical expenses, and common expenses. Common expenses in turn have been allocated between aeronautical and non-aeronautical services.

13.5. Expense allocation as submitted by AAI for 2nd control period is tabulated below:

Table 37 – O&M Expense allocation as submitted by AAI

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	96%	4%
2	Payroll Retirement benefit expenses Apportionment – CHQ	100%	0%
3	Admin and General Expenses – Non CHQ	96%	4%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	100%	0%
5	R&M Expenses	96%	4%
6	Utility and Outsourcing Charges	99%	1%
7	Other Outflows	100%	0%
	Total	98%	2%

Authority's Examination

13.6. The Authority considered the operating expenses and their projections submitted by AAI and noted the following.

Forecasting of payroll expenses

13.6.1. The Authority notes that payroll costs components – Salaries and Wages,

Fringe Benefits, including perks & medical expenditure and PF contribution have been increased by AAI at the growth rate of 9% annually for 2nd control period except for FY 2017-18. These growth rates appear to be on a higher side. The Authority proposes growth rate of 7% for the above payroll components.

13.6.2. The Authority notes that expenditure on apportionment of retirement benefits provided to CHQ in respect of CIA employees is increased at 5% annually for 2nd control period which is different from the 7% for the above mentioned payroll components. The Authority proposes to apply the same growth rate of 7% annually except for FY 2017-18 for expenditure on apportionment of retirement benefits provided to CHQ in respect of CIA employees (as per discussion with AAI).

13.6.3. The Authority has in particular noted that an increase of 40% has been projected in the pay roll expenditure in FY 2017-18 due to tentative increase in salary and wages on account of wage revision. 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 for the said outflow in FY 2017-18 and hence proposes to true up the expenditure in the 3rd control period. In view of above, an increase of 25% is proposed for projection of the pay roll expenditure for FY 2017-18 in line with the order issued for Trivandrum for the 2nd control period.

13.6.4. AAI has submitted apportionment of CHQ/RHQ expenses on revenue basis for Calicut airport. The Authority proposes to adopt CHQ/RHQ overheads apportionment for the 2nd control period based on actual revenue basis data provided by AAI. The Authority proposes to increase CHQ/RHQ overheads apportionment costs (admin & general expenditure of CHQ/RHQ) by 5% per annum for the 2nd control period as submitted by AAI.

Segregation of aeronautical expenses

13.7. The Authority noted that the Payroll Costs in the operational expenditure have been allocated using percentage of employees for aeronautical services to total employees

which is 96%. To account for common service employees handling both aeronautical and non-aeronautical activities, the Authority proposes to use ratio of 95% to 5% for allocation of payroll costs.

13.8. The Authority noted that apportionment of retirement benefits provided in CHQ in respect of Calicut airport and apportionment of admin CHQ/RHQ expenses have been considered as 100% aeronautical expenses. The Authority proposes to use the ratio of 92.3% to 7.7% for apportionment of admin CHQ/ RHQ expenses and the ratio of 95% to 5% for apportionment of retirements benefits provided at CHQ.

13.9. The Authority noted that the expenses related to vehicles such as R&M – Vehicles and Consumption of petrol/ lubricants etc. have been considered 100% aeronautical expense. The Authority proposes to allocate aforementioned expenses using employee ratio into aeronautical and non-aeronautical expenses.

13.10. Terminal Area ratio for calculation of aeronautical assets is proposed as 92.3%. This ratio has been applied to specific expenses in R&M – Civil, R&M – Equipment and Furniture and Conservancy Charges/ Cleaning Contracts.

Correction in projection

13.11. The Authority has carried out minor revision in the operational expenditure pertaining to R&M communication equipment for FY 2015-16 after consultation with AAI.

13.12. The O&M expenditure for FY2015-16 which includes both aeronautical and non-aeronautical expense is given in the table below:

Table 38 – Total O&M expenditure for FY 2015-16 as proposed by the Authority

No.	Particulars (₹ crore)	2015-16
1	Pay roll Expenditure of CIA	19.8
2	Expenditure for CIA employees' retirement benefits allocated at CHQ	4.3
A	Total Pay roll Expenditure (1+2)	24.1
3	Administrative and General Expenditure	3.8
4	Apportionment of administration & General expenditure of CHQ/RHQ	11.2
B	Total Administration & General Expenditure(3+4)	15.0
C	Repairs and Maintenance Expenditure (Total)	7.4
5	Power Charges	7.0

No.	Particulars (₹ crore)	2015-16
6	Water Charges	0.0
D	Utility and Outsourcing Expenditure (5+6)	7.0
E	Other Outflows	0.1
	Total (A+B+C+D+E)	53.7

13.13. Expense allocation proposed to be considered by the Authority after above changes for 2nd control period is tabulated below:

Table 39 – Expense allocation between aeronautical and non-aeronautical services proposed by the Authority

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	95%	5%
2	Payroll Retirement benefit expenses Apportionment – CHQ	95%	5%
3	Admin and General Expenses – Non CHQ	96%	4%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	92%	8%
5	R&M Expenses	96%	4%
6	Utility and Outsourcing Charges	99%	1%
7	Other Outflows	100%	0%
	Total	95%	5%

13.14. In view of above, the O&M expenditure is reworked for the purpose of determination of aeronautical tariffs for the 2nd control period under Hybrid Till and given in table below.

Table 40 - Summary of Aeronautical O&M expenditure as per the Authority for the 2nd control period as per Hybrid Till

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of CIA	20.1	25.1	26.9	28.7	30.7
2	Expenditure for CIA employees' retirement benefits allocated at CHQ	4.4	4.7	5.0	5.4	5.8
A	Total Pay roll Expenditure (1+2)	24.5	29.9	31.9	34.1	36.5
3	Administrative and General Expenditure	3.9	4.3	4.7	5.1	5.6
4	Apportionment of administration & General expenditure of CHQ/RHQ	10.9	11.4	12.0	12.6	13.2
B	Total Administration & General Expenditure(3+4)	14.8	15.7	16.7	17.7	18.8

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
C	Repairs and Maintenance Expenditure (Total)	7.8	8.6	9.5	10.4	11.5
5	Power Charges	7.0	7.0	7.0	7.0	7.0
6	Water Charges	0.0	0.0	0.0	0.0	0.0
D	Utility and Outsourcing Expenditure (5+6)	7.0	7.0	7.0	7.0	7.0
E	Other Outflows	0.1	0.1	0.2	0.2	0.2
	Total (A+B+C+D+E)	54.3	61.3	65.2	69.4	73.9

13.15. It appears that O&M expenditure at CIA is on higher side and expects AAI to reduce the O&M expenditure over a period of time.

Proposal No. 10. Operation and Maintenance expenditure

10.a. The Authority proposes to consider the operational and maintenance expenditure as given in Table 40 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.

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

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

14. Taxation

14.1. AAI has submitted tax calculations using provisional tax rate of 34.60% for the 2nd control period. AAI had calculated the tax considering depreciation rates applicable under Income Tax laws.

Authority's Examination

Adjustment for 30% of non-aeronautical revenues

14.2. AAI vide their submissions dated 08.03.2017 calculated tax for aeronautical services under Hybrid Till taking into account 30% of revenues from services other than regulated services as part of total revenues. As per MIAL Order No. 32/2012-13 (Decision No. XV), the Authority had decided to consider corporate tax pertaining to earnings from aeronautical services under Shared Till. Therefore, the Authority proposes to exclude non-aeronautical component from revenues considered while determining tax for aeronautical services.

Adjustment of aeronautical Capex

14.3. The Authority proposes to consider aeronautical capital expenditure of ₹ 153 crores as given in Table 26 while calculating depreciation as per IT Act

Adjustment of O&M Expenses

14.4. The Authority proposes to consider O&M expenses as given in Table 40.

Adjustment of aeronautical revenues on account of CGF lease and rent correction

14.5. The Authority proposes to modify total aeronautical revenues considering lease rentals from CGF as aeronautical as mentioned in para 12.10.

Continuation of existing tariffs in FY 2016-17 and revision of tariffs from FY18 onwards

14.6. The Authority proposes to consider existing tariffs up to 01.08.2017

14.7. The Authority proposes to revise the tariffs as per Table 46 which will be applicable from 01.08.2017 onwards.

Revised Tax as considered by the Authority

14.8. The amount of tax as per submission of AAI and that arrived by the Authority after considering the above mentioned changes is given below:

Table 41 - Amount of Tax for aeronautical services as per AAI submission and as calculated

by the Authority for the 2nd control period - Hybrid Till

Income Tax (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As per AAI	0.0	24.7	25.1	31.6	21.8	103.2
As per Authority	0.0	1.0	8.0	9.9	13.6	32.5

14.9. The detailed calculation of tax for aeronautical service by the Authority is given in table below:

Table 42 - Amount of Tax for aeronautical services as calculated by the Authority for the 2nd control period - Hybrid Till

Particular (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Aeronautical Revenues	45.5	80.5	107.3	118.9	131.7
Aeronautical O&M (excluding CHQ/ RHQ Overheads)	39.0	45.2	48.2	51.4	55.0
CHQ/ RHQ Overheads	15.3	16.1	17.0	18.0	19.0
Depreciation as per IT Act	13.5	16.3	19.0	21.0	18.4
PBT	-22.3	2.9	23.1	28.5	39.4
Tax for aeronautical services	0.0	1.0	8.0	9.9	13.6

14.10. The taxes actually paid/ apportioned in the 2nd control period are proposed to be trued up after review in the next control period.

Proposal No. 11. Taxation

11.a. The Authority proposes the corporate tax for aeronautical activities as per Table 42 for the 2nd control period.

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

15. Aggregate Revenue Requirement for Second control period

15.1. AAI has submitted Aggregate Revenue Requirement (ARR) the yield per passenger (YPP) for the 2nd control period as per Hybrid Till. AAI has shown the true-up value separately from yield calculations for 2nd control period. During discussions, AAI had requested for including true-up of 1st control period while calculating tariff for 2nd control period.

Table 43 - ARR and Yield as per AAI for the 2nd control period – Hybrid Till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	101.1	117.9	184.8	222.0	405.2
Return on Average Aeronautical RAB@14%	14.2	16.5	25.9	31.1	56.7
Aeronautical Operating Expenditure	56.0	66.3	71.0	76.1	81.6
Depreciation on aeronautical RAB	19.6	23.8	36.0	32.1	78.4
Aeronautical Corporate Tax @34.60%	0.0	24.7	25.1	31.6	21.8
Less- 30% of Non-Aeronautical Revenues	12.6	14.0	15.7	17.5	20.9
ARR as per AAI	77.2	117.3	142.3	153.4	217.7
Total ARR as per AAI	707.7				
No. of Passengers (as per Actual/Projected)	2,515,640	2,704,376	2,907,587	3,126,414	3,362,089
Discounted ARR	77.2	102.9	109.5	103.5	128.9
True up short fall in 1st control period as on 01.04.2016	66.7				
PV of ARR for the control period as on 01.04.2016	588.6				
Total Passengers during the control period	14,616,106				
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)	402.7				

Authority's examination

15.2. The Authority has examined the calculations of AAI for various elements of the regulatory building blocks that contribute to the calculation of ARR.

15.3. The Authority has estimated the following ARR and yield for the 2nd control period under Hybrid Till based on various submissions of AAI and proposals considered by Authority in earlier sections on the building blocks.

Table 44 - ARR and Yield as per Authority for the 2nd control period – Hybrid Till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	141.3	159.5	193.2	222.7	208.1
Return on Average Aeronautical RAB@14%	19.8	22.3	27.0	31.2	29.1
Aeronautical Operating Expenditure	54.3	61.3	65.2	69.4	73.9
Depreciation on aeronautical RAB	13.6	14.7	14.5	15.0	14.1
Aeronautical Corporate Tax @34.6%	0.0	1.0	8.0	9.9	13.6
Less – 30% of Non-Aeronautical Revenues	11.9	13.0	14.4	15.8	17.4
True up short fall in 1st control period as on 01.04.2016	-12.9				
ARR as per Authority	62.8	86.3	100.4	109.7	113.4
Total ARR as per Authority	472.5				
Discounted ARR	62.8	75.7	77.2	74.0	67.1
PV of ARR for the control period as on 01.04.2016	356.9				
No. of Passengers (as per Projected)	2,651,088	2,849,864	3,063,873	3,294,316	3,542,486
Total Passengers during the control period	15,401,627				
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)					231.73
Target yield per pax	278.8	290.5	302.6	315.3	328.5
Target Aeronautical Revenues	73.9	82.8	92.7	103.9	116.4
PV of Target Aeronautical Revenues for the control period as on 01.04.2016	356.9				

16. Annual Tariff Proposal

16.1. AAI has submitted ATP(s) for all years of the 2nd control period.

16.2. AAI has submitted the revision in tariff w.e.f. 01.04.2017 till 31.03.2021.

16.3. AAI has proposed for a scheme of rebate in landing charges depending on the number of landings per week for domestic flight operations.

16.4. Accordingly AAI has submitted the ATP(s) for 2nd control period in respect of CIA. The ATP(s) as submitted by AAI for the tariff years 2017-18 onwards (w.e.f. 01.04.2017) is annexed herewith for stakeholder consultation.

Authority's Examination

16.5. The Authority noted that AAI's proposed tariff could not be applicable from 1st April, 2017.

16.6. Further, the Authority noted that the revenue from tariffs as proposed by AAI will exceed the proposed ARR as per Authority for the 2nd control period. The resultant excess as per tariffs proposed by AAI as on 01.04.2016 is provided in table below.

Table 45 - Projected Revenue, Target Revenue and shortfall/ excess based on AAI proposes tariffs for the 2nd control period applicable from 01.04.2017

Projected Aero Revenue based on AAI proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing	23.8	32.0	35.4	39.1	43.2
Parking and Housing	0.2	0.4	0.4	0.4	0.4
UDF	11.1	116.1	129.5	144.5	161.2
FTP+ITP and lease rentals	2.4	2.7	3.0	3.3	3.6
Ground Handling Charges and lease rentals	5.8	6.2	6.5	7.0	7.4
CUTE	1.5	1.6	1.7	1.8	2.0
Cargo Charges	0.7	0.8	0.9	1.0	1.1
Total Projected Revenue	45.5	159.7	177.4	197.0	218.9
Target Aero Revenue	57.1	108.5	123.5	137.2	174.6
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	-11.6	51.3	53.9	59.8	44.3
PV value of excess revenue as on 01.04.2016 with Discount rate (14.00%)	-11.6	45.0	41.4	40.4	26.2

Total PV of excess revenue difference as on 01.04.2016 for the control period	141.4
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16.7. Hence, the Authority proposes to reduce the tariffs as submitted by AAI such that the ARR is recovered through the revised tariffs. Accordingly, the UDF per departing passenger for domestic and international passengers is revised as per Table 46 to be applicable from 01.08.2017.

16.8. The Authority proposes to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.08.2017.

16.9. The revised tariffs as applicable from 01.08.2017 as submitted by AAI and as proposed by the Authority are given in table below:

Table 46 - Revised aeronautical tariffs as submitted by AAI and as proposed by the Authority

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
Rate per landing - International Flight			
Up to 10 MT	₹ 122.1 Per MT		
Above 10 MT up to 20 MT	₹1,221 + ₹ 179.3 per MT in excess of 10 MT		
Above 20 MT up to 50 MT	₹ 3,014 + ₹ 354.2 per MT in excess of 20 MT		
Above 50 MT up to 100 MT	₹ 13,640 + ₹ 413.6 per MT in excess of 50 MT		
Above 100 MT	₹ 34,320 + ₹ 471.9 per MT in excess of 100 MT		
Up to 25 MT		₹ 240 Per MT	₹ 240 Per MT
Above 25 MT up to 50 MT		₹ 6,000 + ₹ 450 per MT in excess of 25 MT	₹ 6,000 + ₹ 450 per MT in excess of 25 MT
Above 50 MT up to 100 MT		₹ 17,250 + ₹ 520 per MT in excess of 50 MT	₹ 17,250 + ₹ 520 per MT in excess of 50 MT

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
Above 100 MT to 200 MT		₹ 43,250 + ₹ 600 per MT in excess of 100 MT	₹ 43,250 + ₹ 600 per MT in excess of 100 MT
Above 200 MT		₹ 103,250 + ₹ 720 per MT in excess of 200 MT	₹ 103,250 + ₹ 720 per MT in excess of 200 MT
Rate per Landing - Domestic Flight			
Up to 10 MT	₹ 67.1 Per MT		
Above 10 MT up to 20 MT	₹ 671 + ₹ 117.7 per MT in excess of 10 MT		
Above 20 MT	₹ 1,848 + ₹ 231 per MT in excess of 20 MT		
Up to 25 MT		₹ 160 Per MT	₹ 160 Per MT
Above 25 MT up to 50 MT		₹ 4,000 + ₹ 280 per MT in excess of 25 MT	₹ 4,000 + ₹ 280 per MT in excess of 25 MT
Above 50 MT up to 100		₹ 11,000 + ₹ 320 per MT in excess of 50 MT	₹ 11,000 + ₹ 320 per MT in excess of 50 MT
Above 100 MT to 200 MT		₹ 27,000 + ₹ 390 per MT in excess of 100 MT	₹ 27,000 + ₹ 390 per MT in excess of 100 MT
Above 200 MT		₹ 66,000 + ₹ 440 per MT in excess of 200 MT	₹ 66,000 + ₹ 440 per MT in excess of 200 MT
Housing Charges			
Up to 40 MT	₹ 3.5 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 140 + ₹ 6.8 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 548 + ₹ 10.3 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 6 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
Above 50 MT up to 100		₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT		₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT
Parking Charges			
Up to 40 MT	₹ 1.8 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 72 + ₹ 3.4 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 276 + ₹ 5.2 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 3 Per Hour Per MT	₹ 3 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT
Above 50 MT up to 100		₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT		₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT
Throughput Charges			
Rate per KL	₹ 112.10	₹ 117.70	₹ 117.70
Passenger Service Fee – Facilitation (PSF-FC)			
Domestic Passenger	₹ 77 per embarking passenger	₹ 400 per embarking passenger	-
	\$ 1.93 per embarking passenger	\$ 10.03 per embarking passenger	Nil

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
International Passenger	₹ 77 per embarking passenger	₹ 900 per embarking passenger	-
	\$ 1.93 per embarking passenger	\$ 22.56 per embarking passenger	Nil
User Development Fee (UDF) (UDF proposed by Authority instead of PSF-FC above)			
Domestic Passenger	Nil	Nil	₹ 176 per embarking passenger
International Passenger	Nil	Nil	₹ 415 per embarking passenger
Passenger Service Fee – Security*			
Domestic Passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger
	\$ 3.25 per embarking passenger	\$ 3.25 per embarking passenger	\$ 3.25 per embarking passenger
International Passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger
	\$ 3.25 per embarking passenger	\$ 3.25 per embarking passenger	\$ 3.25 per embarking passenger

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

16.10. Additionally, from 01.04.2018, the increase in tariffs as submitted by AAI is given below. The Authority proposes to accept the increase in tariffs for the second control period as submitted by AAI.

16.10.1. Yearly increase of 4% per annum every subsequent year (FY 2018-19 onwards) in UDF per departing passenger charges

16.10.2. Yearly increase of 4% every subsequent year (FY 2018-19 onwards) in landing charges

16.10.3. Yearly increase of 5% per annum every subsequent year (FY 2018-19 onwards) in fuel throughput charges during the 2nd control period

16.11. The estimated aeronautical revenues based on tariffs as proposed by the Authority is indicated in Table 46.

Table 47 - Projected Revenue, Target Revenue and shortfall/ excess as per the Authority for the 2nd control period

Projected Aero Revenue based on AAI proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing	23.8	29.8	35.4	39.1	43.2
Parking and Housing	0.2	0.3	0.4	0.4	0.4
UDF	11.1	39.2	59.5	66.4	74.0
FTP+ITP and lease rentals	2.4	2.7	3.0	3.3	3.6
Ground Handling Charges and lease rentals	5.8	6.2	6.5	7.0	7.4
CUTE	1.5	1.6	1.7	1.8	2.0
Cargo Charges	0.7	0.8	0.9	1.0	1.1
Total Projected Revenue	45.5	80.5	107.3	118.9	131.7
Target Aero Revenue	62.8	86.3	100.4	109.7	113.4
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	17.3	5.8	-7.0	-9.2	-18.3
PV value as on 01.04.2016 with Discount rate (14.00%)	17.3	5.1	-5.4	-6.2	-10.8
Total PV of difference as on 01.04.2016 for the control period	0				

16.12. The Authority noted that AAI has taken 6% inflation rate while determining the Yield per Passenger for tariff years in the 2nd control period and X factor of 0.01% from FY 2018-19 onwards. As per RBI issued Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 45, the WPI inflation is forecasted to be 4.2% for the next 5 years. The Authority proposes to revise WPI for the 2nd control period to 4.2%.

16.13. The Authority proposes that any shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by the Authority to be considered while determining aeronautical tariffs for the 3rd control period.

16.14. The Authority notes that ASQ rating at Calicut has been marginally less than 3.75 for few quarters of 1st control period. However, the Authority further notes that in majority of the quarters in 2nd control period the quarterly ASQ rating is more than 3.75

as required under Section 6.14.3 of Airport Guidelines. The Authority expects AAI to maintain ASQ rating above 3.75 in 3rd control period. Details of the ASQ ratings are provided below.

Table 48 – Quarterly ASQ rating of CIA during the 1st control period

Quarter	2012	2013	2014	2015	2016
Q1		3.69	3.86	4.54	3.79
Q2		3.74	4.14	4.64	3.85
Q3		3.75	4.16	4.14	4.17
Q4	3.73	3.88	4.18	3.74	4.23
Average	3.73	3.77	4.09	4.27	4.01

Proposal No. 12. Tariff rate card

- 12.a. To accept Annual Tariff Proposals as given in Table 46 (and Annexure) for determination of tariff during 2nd control period. Detailed tariff card is provided in Annexure for stakeholder comments.
- 12.b. 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 CIA.
- 12.c. The Authority decides to provide waiver of landing and other charges in line with the Order No. 20/ 2016-17 dated 31.03.2017 of the Authority.
- 12.d. To merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.08.2017.
- 12.e. The Authority proposes to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by the Authority while determining aeronautical tariffs for the 3rd control period.

17. Summary of Proposals

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18. Stakeholders' Consultation Timeline

18.1. In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposal contained in the Section – Summary of proposals (Section 17 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 by the Authority. The Authority shall pass an order, in the matter, only after considering the submissions of the stakeholders' in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.

18.2. The Authority welcomes written evidence based feedback, comments and suggestions from stakeholders on the proposals made in (Section 17 above), latest by 10.07.2017 at the following address.

Secretary

Airports Economic Regulatory Authority of India

AERA Building, Administrative Complex Safdarjung Airport

New Delhi -110003

Tel: 011-24695043, Fax: 011-24695039

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Chairperson

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Annexure 1 – Detailed Tariff Card as proposed by the Authority to be applicable from 01.08.2017 to 31.03.2018

1) LANDING CHARGES

Rate per landing - International Flight

Weight of the Aircraft	Proposed - Rate Per Landing (In ₹)
Up to 25 MT	₹ 240 Per MT
Above 25 MT up to 50 MT	₹ 6,000 + ₹ 450 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 17,250 + ₹ 520 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 43,250 + ₹ 600 per MT in excess of 100 MT
Above 200 MT	₹ 103,250 + ₹ 720 per MT in excess of 200 MT

Rate per Landing - Domestic Flight

Weight of the Aircraft	Proposed - Rate Per Landing (In ₹)
Up to 25 MT	₹ 160 Per MT
Above 25 MT up to 50 MT	₹ 4,000 + ₹ 280 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 11,000 + ₹ 320 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 27,000 + ₹ 390 per MT in excess of 100 MT
Above 200 MT	₹ 66,000 + ₹ 440 per MT in excess of 200 MT

Incentives for increasing the Domestic Flight Operation:

Proposed	
No. of Landing (Domestic) per week per operator for Incentives	*Incentive offered on total landing charges
15	1%
30	2%
45	3%
60	4%
75	5%
*Incentive on total landing Charges will be offered only if the payment is made within the stipulated time.	

Note

	Proposed
1)	All domestic legs of international routes flown by Indian Operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.

2)	No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators at airport and b) helicopters of all types c) Approved Flying school/flying training institute aircrafts.
3)	Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg)
4)	Flight operating under Regional Connectivity Scheme will be completely exempted from landing charges from the date the scheme is operationalized by GOI.

II) PARKING AND HOUSING CHARGES

	Proposed Rates (In ₹)	Proposed Rates (In ₹)
Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
Up to 25 MT	₹ 3 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT

Note

	Proposed
1)	No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point these periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6)	It is proposed to waive off the night parking charges in principle for all domestic

	Proposed
	scheduled operators at Calicut Airport if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State
7)	Flight operating under Regional Connectivity Scheme will be completely exempted from parking charges from the date the scheme is operationalized by GOI.

III) THROUGHPUT CHARGES

Proposed
Proposed Rate Per KL (IN ₹)
₹ 117.70

IV) PASSENGER SERVICE FEE (PSF) – FACILITATION

	Proposed
Domestic Embarking Passenger	Nil
International Embarking Passenger	Nil

V) PASSENGER SERVICE FEE (PSF) – SECURITY* - Existing rate will continue

- 1) Rs. 130/- per embarking International/ Domestic passenger.
- 2) US \$ 3.25 (US \$ Three and twenty five cents only) per passenger in respect of the tickets issued against Dollar Tariff.
- 3) Collection charges: if the payment is made within 15 days of receipt of invoice, then collection charges at 2.50% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days.
- 4) No PSF (Security) will be levied for Transit Passengers.
- 5) For conversion of US \$ into ₹ the rate as on 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

VI) USER DEVELOPMENT FEE (UDF)

Particulars	Proposed
Domestic	₹ 176 per embarking passenger

International	₹ 415 per embarking passenger
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Notes

	Proposed
1)	If the payment is made within 15 days of receipt of invoice then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI.
2)	No collection charges are payable to casual operators/non-scheduled operators
3)	For conversion of US\$ into ₹ the rate as on the 1 st day of the month for 1 st fortnightly billing period and rate as on 16 th of the month for the 2 nd fortnightly billing period shall be adopted.
4)	No UDF will be levied for Transit Passengers
5)	Revised UDF charges will be applicable on tickets issued on or after 01.08.2017.

VII) Exemption from levy and collection from PSF at the Airports:

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 & Security

Sr. No.	Proposed
1)	Children (under age of 2 years),
2)	Holders of Diplomatic Passport,
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),
4)	Persons travelling on official duty on aircraft operated by Indian Armed Forces,
5)	Persons traveling on official duty for United Nations Peace Keeping Missions.
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").
7)	Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

VIII) GENERAL CONDITION:

- a) All the above Charges are excluding Service Tax. Service Tax at the applicable rates are payable in addition to above charges.