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भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

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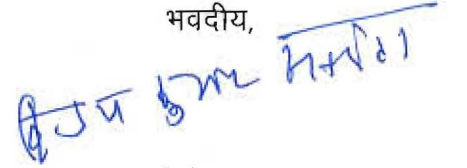
नई दिल्ली-110003

दिनांक : 1 सितंबर, 2017

विषय: पुणे अंतरराष्ट्रीय हवाई अड्डे के दूसरे नियंत्रण अवधि (01.04.2017 से 31.03.2021) के लिए संबंध में सिविल एन्क्लेव में वैमानिक टैरिफ के निर्धारण के मामले में

उपर्युक्त विषय पर दिनांक 01.09.2017 का परामर्श पत्र संख्या 17/2017-18 सूचना एवं टिप्पणी के लिए संलग्न है।

भवदीय,



(वी.के. सचदेवा)

उप महा प्रबंधक (वित्त)

सेवा में,

सभी पणधारी

File No. AERA/20010/MYTP/AAI-Pune/CP-II/2016-17

Consultation Paper No.17/2017-18



Airports Economic Regulatory Authority of India

**In the matter of determination of aeronautical tariffs
at Civil Enclave in respect of Pune airport for the second
Control Period (01.04.2016 – 31.03.2021).**

1st September, 2017

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

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1. Introduction

1.1. Pune airport is one of the major airports in western India situated 10 km north-east of Pune in the state of Maharashtra.

1.2. The civil enclave is jointly operated by Airports Authority of India (AAI) and Indian Air Force. AAI operates the passenger terminal building and the civil apron while the Indian Air Force provides the airside facilities and air navigation services.

1.3. The traffic handled by civil enclave at Pune during the 1st control period is given in table below:

Table 1 - Passenger and ATM traffic during the 1st control period at civil enclave Pune

Year	Dom. Pax (mn)	Int. Pax (mn)	Total Pax (mn)	Dom. ATMs	Int. ATMs	Total ATMs
2012	3.2	0.1	3.3	26,134	976	27,110
2013	3.2	0.1	3.3	26,868	958	27,826
2014	3.5	0.1	3.6	29,506	1,028	30,534
2015	4.1	0.1	4.2	32,642	1,118	33,760
2016	5.2	0.2	5.4	38,682	2,044	40,726

1.4. Civil enclave at Pune, 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.

1.5. Technical and Terminal building details of civil enclave at Pune are provided in the table below:

Table 2 – Technical and Terminal building details of civil enclave Pune

Technical Details of civil enclave Pune	
Particulars	Details
Total airport area	26.01 acres
Runway orientation and length	10/28 and 2,535 meter – IAF Runway
No. of Taxi Tracks	1 parallel taxiway and 3 taxiways leading to civil apron
No. of Apron Bays	08
Aerodrome Category	4C
Navigational Aids	DVOR/DME by AAI
Operational hours	24 hours
Terminal building Details	
Particulars	Domestic / International (T-II)
Terminal Building Area	22,300 Sq.m
Immigration Counters	14

Customs Counters	6
Security Counters	10
Departure Conveyor	2
Arrival Conveyor	4
Peak hour passenger capacity	Departure: 450, Arrival: 450
No. of Check-in Counters (CUTE)	32
Total Area of Car Parking	11,000 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”), had issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended its 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 civil enclave at Pune, 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 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 civil enclave Pune

- 3.1. In the 1st control period, the Authority, vide its Order No. 17/2015-16 dated 11.05.2015 had decided that the tariffs for civil enclave Pune would continue at the existing level on ad-hoc basis till 31.03.2016 and advised AAI to submit MYTP for the 2nd control period well in time by providing details of assets created by it and sitting in its books, the operating expenditure pertaining to such civil enclaves being incurred by AAI and details of other building blocks only pertaining to AAI. The Authority would accordingly determine the Parking and Housing charges and PSF/UDF to be levied by AAI.
- 3.2. Accordingly, AAI made submissions dated 30.11.2015 to the Authority for determination of tariffs for 2nd control period as per Single Till. Subsequent to the announcement of National Civil Aviation Policy, AAI made revised submissions under Hybrid Till on 01.02.2017. AAI has further revised their submission under Hybrid Till on 26.04.2017 and on 17.05.2017 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 01.02.2017 and considered subsequent submissions made by AAI for this consultation paper.
- 3.3. AAI collects parking, housing, fuel throughput and other aeronautical charges at civil enclave Pune except for landing charges and ANS charges. The Authority noted that landing charges at civil enclave Pune are collected by the Indian Air Force as it is a civil enclave. Further, the Authority noted that the Communication, Navigation, Surveillance/ Air Traffic Management (CNS/ATM) services at civil enclave Pune are provided by the Indian Air Force. AAI has submitted that the tariff proposal does not consider revenues, expenditure and assets on account of CNS/ ATM and runway assets. This consultation paper discusses the determination of tariffs for aeronautical services at the airport excluding CNS/ ATM services and landing charges.
- 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 civil enclave

at Pune. 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 ₹ 85.2 crores.

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

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Assets excluding CNS/ATM related assets as on 01.04.2011	103.4
2	Accumulated Depreciation as on 01.04.2011	18.1
3	Opening RAB[(1)-(2)] as on 01.04.2011	85.2

Permissible aeronautical revenues

4.3. AAI has calculated Aggregate Revenue Requirement of ₹ 245.4 crores (PV of ARR is ₹ 187.1 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	85.2	77.1	68.1	59.6	64.5
Assets capitalized during the year	1.5	0.7	1.0	15.6	16.2
Disposals/ Transfer	0	0	0	0	0
Depreciation	9.6	9.6	9.5	10.7	11.8
Closing RAB	77.1	68.1	59.6	64.5	68.8
Average RAB	81.2	72.6	63.9	62.1	66.7
Return on Average RAB@14%	11.4	10.2	8.9	8.7	9.3
Operating Expenditure	36.5	51.3	58.8	54.4	57.2
Depreciation	9.6	9.6	9.5	10.7	11.8
Corporate Tax					
Less- Revenue from services other than Regulated services	23.5	22.8	22.2	19.9	24.2
ARR as per AAI	34.0	48.3	55.1	53.9	54.1
Total ARR as per AAI	245.4				

Discounted ARR	34.0	42.3	42.4	36.4	32.0
PV of ARR for the control period as on 01.04.2012	187.1				

Actual aeronautical revenues

4.4. AAI has submitted that it has earned aeronautical revenues of ₹ 108.2 crores during 1st control period. Correspondingly, AAI has submitted that it has a shortfall of ₹ 233.3 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	-	-	-	-	-
1.2	International	-	-	-	-	-
1.3	Total Landing Charges	-	-	-	-	-
2	Parking and Housing Charges:	0.2	0.2	0.2	0.2	0.2
3	PSF(Facilitation Charges(FC)):					
3.1	Domestic	12.7	12.7	13.9	16.0	20.2
3.2	International	0.1	0.1	0.1	0.1	0.1
3.3	Total PSF (FC)	12.8	12.9	14.1	16.1	20.4
4	User Development Fees (UDF):					
4.1	Domestic	-	-	-	-	-
4.2	International	-	-	-	-	-
4.3	TOTAL UDF	-	-	-	-	-
5	Fuel Throughput Charges	0.6	0.7	0.9	0.9	0.2
6	Ground Handling Charges	1.2	3.0	3.8	3.7	4.3
7	Cargo revenues					
8	CUTE services	0.0	0.0	3.3	3.6	4.8
	Total Aeronautical Revenues	14.8	16.8	22.3	24.5	29.9

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
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No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year	34.0	48.3	55.1	53.9	54.1	245.4
2	Aeronautical Revenue	14.8	16.8	22.3	24.5	29.9	108.2
3	Shortfall	19.2	31.5	32.8	29.4	24.2	137.1
4	Future Value of shortfall as on 01.04.2017	42.1	60.6	55.4	43.6	31.5	233.3

Authority's Examination

4.5. The Authority noted that revenues from duty free shops have been taken as 0 from FY 2013-14 to FY 2015-16 during 1st control period. As per the clarifications provided by AAI dated 26.04.2017, duty free contract expired in May 2012. The effort to award a new contract did not materialize due to low international passengers and flights. The same was awarded in the month of July 2016 and the revenues are to be received from FY 2016-17 onwards.

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

4.6.1. Adjustment of depreciation

4.6.2. Adjustment of non-aeronautical revenues

4.6.3. Adjustment of fuel throughput revenues

Adjustment for Depreciation

4.7. 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%
3	Taxiway	13%
4	Apron	13%
5	Road	13%
6	Building - Terminal	8%
7	Building - Temporary	100%
8	Building - Residential	5%
9	Security Fencing - Temporary	100%
10	Security Fencing - Boundary Wall	8%

11	Security Fencing - Residential	5%
12	Computer and Peripheral	20%
13	Computer and Package	20%
14	Plant and Machinery	11%
15	Tool and Plant	20%
16	Office Furniture	20%
17	Other Vehicles	14%
18	Vehicle (Car/ Jeep)	14%
19	Electrical Installations	11%
20	Office Equipment	18%
21	Other than Office	20%
22	XBIS (X-Ray Baggage)	11%
23	CFT	13%

4.8. The Authority proposes the following depreciation rates

4.8.1. 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

4.8.2. 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 29.

4.9. Depreciation for the 1st control period has been calculated on the basis of actual date of capitalization of assets. The Authority also noted that while calculating accumulated depreciation as on 01.04.2011 to calculate initial RAB, reference year of capitalization for some of the assets is not linked correctly. The Authority proposes to correct the linkages of reference year of capitalization for such assets.

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

Table 8 – The Authority's consideration of 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	9.6	9.6	9.5	10.7	11.8	51.3
2	As per Authority	3.2	3.2	3.1	6.9	7.6	24.0

4.11. 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	85.2	77.1	68.1	59.6	64.5
	Additions	1.5	0.7	1.0	15.6	16.2
	Disposals	0	0	0	0	0
	Depreciation	9.6	9.6	9.5	10.7	11.8
	Closing RAB	77.1	68.1	59.6	64.5	68.8
	Average RAB	81.2	72.6	63.9	62.1	66.7
2	As per Authority					
	Opening RAB	80.8	79.1	76.6	74.5	83.1
	Additions	1.5	0.7	1.0	15.6	16.2
	Disposals	0.0	0.0	0.0	0.0	0.0
	Depreciation	3.2	3.2	3.1	6.9	7.6
	Closing RAB	79.1	76.6	74.5	83.1	91.7
	Average RAB	79.9	77.9	75.6	78.8	87.4

Adjustment for Non-Aeronautical revenues

4.12. The Authority noted that AAI has considered lease rental revenues from ground handling agencies, oil companies and 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.

4.13. 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.

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)	23.5	22.8	22.2	19.9	24.2
Adjustment					
<i>Revenue from Cargo, Ground handling and fuel services treated as aeronautical (2)</i>	0.8	0.8	0.9	1.7	2.6
NAR as per Authority (3 = 1 - 2)	22.7	22.0	21.3	18.2	21.6

Adjustment for operating expenditure (CHQ/ RHQ expenditure apportionment)

4.14. 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 civil enclave Pune 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.

4.15. The retirement benefit is allocated on the basis of number of employees at civil enclave Pune. 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 ₹ cr.	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	Western Region - RHQ Expenses	61.9	126.3	152.6	78.1	72.6
2	Less - Western Region - RHQ Revenues	7.1	32.4	1.6	9.0	16.5
3	Net Western Region RHQ Expenses (1-2)	54.7	93.9	151.0	69.1	56.1
	Total of Net CHQ and RHQ Expenses	220.3	272.5	271.3	229.6	233.0
	CHQ/RHQ Overheads allocated to Pune	6.2	8.2	9.2	5.2	4.9
	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 Pune	1.8	5.1	3.4	7.0	4.4

4.16. 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 civil enclave Pune	22.2	24.7	26.1	27.2	28.1
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	1.8	5.1	3.4	7.0	4.4
A	Total Pay roll Expenditure (1+2)	24.0	29.8	29.5	34.2	32.5
3	Administrative and General Expenditure	0.6	0.6	0.9	1.2	1.1
4	Apportionment of administration & General expenditure of CHQ/RHQ	6.2	8.2	9.2	5.2	4.9
B	Total Administration & General Expenditure(3+4)	6.8	8.8	10.1	6.4	5.9
C	Repairs and Maintenance Expenditure	2.1	2.6	2.3	3.1	6.4
5	Power Charges	3.5	4.8	4.6	5.0	6.1
6	Consumption of stores and spares	0.2	0.3	0.3	0.2	0.2
7	Water Charges	0.1	0.1	0.1	0.2	0.3
8	Hire charges – Cars/Jeep and others	0.0	0.1	0.2	0.3	0.5
9	Consumption of petrol oil & Lubricants	0.1	0.1	0.1	0.1	0.1
D	Utility and Outsourcing Expenditure	3.9	5.3	5.3	5.8	7.2
E	Other Outflows	0.2	0.1	0.2	0.2	0.6
	Total (A+B+C+D+E)	36.9	46.7	47.3	49.6	52.7

Adjustment of fuel throughput revenues

4.17. The Authority noted that fuel throughput volume decreased suddenly in FY 2015-16 (17,058 kl) from FY 2014-15 (79,848 kl) and there was a corresponding decrease in fuel throughput revenues for FY 2015-16. As per the clarifications provided by AAI dated 26.04.2017, fuel throughput volume in FY 2015-16 is corrected and ₹ 79.77 lakhs booked in Western Region is now updated in FY 2015-16 of Pune MYTP. The Authority accordingly proposes to update the fuel throughput revenues.

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 civil enclave Pune 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 civil enclave Pune by applying provisional tax rate 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 civil enclave Pune. The Authority proposes to consider the tax calculation as given below.

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

Particular (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Aeronautical Revenues	15.6	17.6	23.1	26.2	33.3
Non-Aeronautical Revenues	22.7	22.0	21.3	18.2	21.6
O&M (excluding retirement benefits and CHQ/ RHQ Overheads)	28.9	33.4	34.8	37.4	43.4
Retirement benefits and CHQ/ RHQ Overheads	8.0	13.3	12.5	12.2	9.3
Depreciation as per IT Act	10.1	8.8	7.8	8.5	9.3
PBT	-8.7	-15.9	-10.7	-13.7	-7.0
Tax	0.0	0.0	0.0	0.0	0.0

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 29

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

4.22.3. Lease rentals from ground handling agencies, oil companies and cargo to be treated as aeronautical revenues

4.22.4. Correction in fuel throughput volume and corresponding 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	79.9	77.9	75.6	78.8	87.4
Return on Average RAB@14%	11.2	10.9	10.6	11.0	12.2
Operating Expenditure	36.9	46.7	47.3	49.6	52.7
Depreciation	3.2	3.2	3.1	6.9	7.6
Corporate Tax	0.0	0.0	0.0	0.0	0.0
Less- Revenue from services other than Regulated services	22.7	22.0	21.3	18.2	21.6
ARR as per Authority	28.5	38.7	39.7	49.4	50.9
Total ARR as per Authority	207.3				
Discounted ARR	28.5	34.0	30.6	33.4	30.1
PV of ARR for the control Period as on 01.04.2012	156.6				

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)	28.5	38.7	39.7	49.4	50.9	207.3
2	Aeronautical Revenue	15.6	17.6	23.1	26.2	33.3	115.9
3	Shortfall	12.9	21.1	16.6	23.2	17.5	91.4
4	Future Value of shortfall as on 01.04.2016	24.9	35.7	24.5	30.1	20.0	135.3

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:

- 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.
- 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 29.

1.e. The Authority proposes to consider short fall of ₹ 135.3 crores in the 1st control period to be added to ARR for 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	25%	10%	24%	18%	8%	17%
2017-18	12%	10%	12%	10%	8%	10%
2018-19	12%	10%	12%	10%	8%	10%
2019-20	12%	10%	12%	10%	8%	10%
2020-21	12%	10%	12%	10%	8%	10%

5.2. AAI submitted that traffic growth rate for FY 2016-17 is based on extrapolation of actual traffic data from April, 2016 to February, 2017.

Authority's Examination

5.3. The Authority observed that the actual traffic data is available for FY 2016-17 for civil enclave Pune. Accordingly, AAI submitted that traffic growth rate for FY 2016-17 can be revised by the Authority based on actual traffic during FY 2016-17. The Authority proposes to revise traffic growth rates for FY 2016-17 as per Table 18.

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 civil enclave Pune. The details have been provided in table below:

Table 17 - CAGR for Traffic at Civil enclave Pune

	Growth rates as per AAI (FY18 to FY21)	10 Year CAGR (FY06 to FY16)	5 Year CAGR (FY11 to FY16)
Passenger			
Domestic	12%	19%	13%
International	10%	129%	34%
ATM			
Domestic	10%	13%	13%
International	8%	24%	17%

5.1. After evaluation of 5 and 10 year CAGR of domestic traffic, the Authority is of the view that 10 years CAGR is too high due to lower initial base traffic and 5 years CAGR

provides more realistic traffic growth rates for future projections. AAI has submitted growth rate which is in line with 5 years CAGR. Hence, the Authority proposes to adopt growth rates for domestic passenger and ATM traffic from FY 2017-18 to FY 2020-21 based on AAI's submissions.

5.2. The Authority notes that for international passenger and ATM traffic, the growth rate has increased significantly only in last 3 years and because of that CAGR for 5 years and 10 years are very high and cannot be taken as representative growth rates for future projections. Therefore, the Authority proposes to consider growth rates for international passenger and ATM traffic as submitted by AAI.

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

YEAR	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth Rates						
2016-17	26%	3%	25%	16%	0%	15%
2017-18	12%	10%	12%	10%	8%	10%
2018-19	12%	10%	12%	10%	8%	10%
2019-20	12%	10%	12%	10%	8%	10%
2020-21	12%	10%	12%	10%	8%	10%
Traffic						
2016-17	6,540,312	247,079	6,787,391	44,886	2,046	46,932
2017-18	7,325,149	271,787	7,596,935	49,374	2,209	51,583
2018-19	8,204,166	298,965	8,503,132	54,312	2,386	56,698
2019-20	9,188,667	328,862	9,517,528	59,743	2,577	62,320
2020-21	10,291,306	361,748	10,653,055	65,717	2,783	68,499

5.3. 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 Hybrid Till, only aeronautical assets are included as part of the Regulatory Asset Base. 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 ratios:

- a) Terminal Area Ratio - ratio of aeronautical area to non-aeronautical area (applied for Terminal related assets based on TB ratio submitted by AAI)
- b) Admin ratio – admin area ratio based on aeronautical area (2,495.5 Sq.m) to non-aeronautical area (54.5 Sq.m) (applied for admin block related assets)
- c) Employee Ratio - ratio of staff providing commercial services (7 employees) to staff providing aeronautical services (229 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	0.0	0.0	-
2	Runways	0.0	0.0	100%
3	Taxiway	0.0	0.0	100%
4	Apron	0.5	0.5	100%
5	Road	0.1	0.1	100%
6	Building - Terminal	67.9	79.4	86%
7	Building - Temporary	0.0	0.0	100%
8	Building - Residential	0.0	0.0	100%
9	Security Fencing - Temporary	0.5	0.5	100%
10	Security Fencing - Boundary Wall	0.1	0.1	100%
11	Security Fencing - Residential	0.0	0.0	-
12	Computer and Peripheral	0.9	0.9	100%
13	Computer and Package	0.0	0.0	100%
14	Plant and Machinery	5.3	5.3	100%
15	Tool and Plant	3.3	3.3	100%

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
16	Office Furniture	1.3	1.3	98%
17	Other Vehicles	0.0	0.0	100%
18	Vehicle (Car/ Jeep)	0.3	0.3	100%
19	Electrical Installations	36.7	39.3	93%
20	Office Equipment	0.3	0.3	100%
21	Other than Office	1.3	1.3	100%
22	XBIS (X-Ray Baggage)	5.6	5.6	100%
23	CFT	0.0	0.0	100%
	Total	124.0	138.3	89.71%

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 01.02.2017.

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

S.No.	Category	Domestic Terminal /International Terminal (Sq.m)
1	Restaurant / Snack Bars	567.7
2	T.R. Stall	152.2
3	Duty Free Shop	51.6
4	Hoarding & Display	0.0
5	Building Non-Residential	1,088.8
6	Admission Tickets	0.0
7	Offices of AAI commercial, land & rest room	65.0
	Total Non-aeronautical area	1,925.2
	Total Terminal area	22,300
	TB Ratio	8.63%

6.5. The Authority observed that the percentage of non-aeronautical area is lower compared to similar airports. However, the Authority proposes to use 8.63% as non-aeronautical area ratio for asset allocation of Terminal related assets.

6.6. Specific assets under Furniture & Fixtures, Machinery, Tools & Plant, inside Terminal Building have been considered as aeronautical by AAI. The Authority proposes to allocate these assets in the ratio of 91.37% to 8.63%.

6.7. Residential building related assets have been considered as aeronautical by AAI. The

authority proposed to allocate these assets based on terminal ratio as the assets are related to modification of terminal buildings.

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 91.37% to 8.63%.

6.9. Assets related to vehicles have been considered as aeronautical assets by AAI. The Authority proposes to use the employee ratio of 97% (ratio of employees for aeronautical activities to total employees) for allocation of specific assets related to vehicles (Vehicles and Cars/Jeeps).

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	Building Terminal	84.8%	Total assets are ₹ 79.4 crores out of which ₹ 1.3 crores are purely aeronautical assets and common assets are ₹ 71.0 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
2	Plant and machinery	97.7%	Total assets are ₹ 5.3 crores out of which ₹ 3.9 crores are purely aeronautical assets and common assets are ₹ 1.4 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
3	Tool and plant	97.2%	Total assets are ₹ 3.3 crores out of which ₹ 2.2 crores are purely aeronautical assets and common assets are ₹ 1.1 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
4	Office furniture	97.5%	Total assets are ₹ 1.3 crores out of which ₹ 0.2 crores are purely aeronautical assets and

Sr. No.	Particulars	Aero Assets	Justification
			common assets are ₹ 1.1 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
5	Electrical Installations	91.8%	Total assets are ₹ 39.3 crores out of which ₹ 5.4 crores are purely aeronautical assets and common assets are ₹ 33.6 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
6	Other than office equipment	84.9%	Total assets are ₹ 1.3 crores out of which ₹ 0.4 crores are purely aeronautical assets and common assets are ₹ 0.7 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.

6.11. The allocation of gross block of assets as on 01.04.2016 as considered by the Authority based on revised asset allocation 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	0.0	0.0	100%
3	Taxiway	0.0	0.0	100%
4	Apron	0.5	0.5	100%
5	Road	0.1	0.1	100%
6	Building - Terminal	67.3	79.4	85%
7	Building - Temporary	0.0	0.0	100%
8	Building - Residential	0.0	0.0	91%
9	Security Fencing - Temporary	0.5	0.5	100%
10	Security Fencing - Boundary Wall	0.1	0.1	100%
11	Security Fencing - Residential	0.0	0.0	-
12	Computer and Peripheral	0.9	0.9	100%

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
13	Computer and Package	0.0	0.0	100%
14	Plant and Machinery	5.2	5.3	98%
15	Tool and Plant	3.2	3.3	97%
16	Office Furniture	1.3	1.3	98%
17	Other Vehicles	0.0	0.0	100%
18	Vehicle (Car/ Jeep)	0.3	0.3	97%
19	Electrical Installations	36.1	39.3	92%
20	Office Equipment	0.3	0.3	100%
21	Other than Office	1.1	1.3	85%
22	XBIS (X-Ray Baggage)	5.6	5.6	100%
23	CFT	0.0	0.0	100%
	Total	122.5	138.3	88.62%

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 29.11.2016 is ₹ 59.6 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	96.4
2	Aeronautical asset addition during the 1 st control period	27.6
3	Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016	124.0
4	Accumulated Depreciation as on 01.04.2016	64.5
5	Opening RAB[(3)-(4)] as on 01.04.2016	59.6

7.2. The Authority proposes to adopt depreciation rates as detailed earlier in Para 4.8 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 ₹ 80.0 crores.

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	95.1
2	Aeronautical asset addition during the 1 st control period	27.4
3	Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016	122.5
4	Accumulated Depreciation as on 01.04.2016	42.5
5	Opening RAB[(3)-(4)] as on 01.04.2016	80.0

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 ₹ 80.0 crores.

8. Capital Expenditure for Second control period

8.1. AAI has forecasted aeronautical capital expenditure of ₹ 452.4 crores for the 2nd control period in submissions dated 01.02.2017 and revised the capital expenditure dated 26.04.2017 and 28.07.2017 as shown below:

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

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Aprons	0.0	0.0	0.0	0.0	17.5
2	Building- Terminal	0.8	0.0	0.0	0.0	260.0
3	Plant & Machinery	0.2	0.0	0.0	0.0	0.0
4	Office Furniture	0.0	0.0	0.0	0.0	0.0
5	Electrical Installations	0.9	0.0	0.0	0.0	173.0
	Total (₹ 452.4 crores)	1.9	0.0	0.0	0.0	450.5
	Revised capital expenditure submitted by AAI dated 26.04.2017 and 28.07.2017					
1	Aprons	0.0	0.4	17.8	0.0	0.0
2	Building- Terminal	0.8	1.5	10.1	0.0	260.0
3	Plant & Machinery	3.1	0.0	0.0	0.0	0.0
4	Office Furniture	0.1	0.0	0.0	0.0	0.0
5	Electrical Installations	0.6	0.0	18.3	0.0	173.0
6	Other Office Equipment	0.2	0.0	0.0	0.0	0.0
	Total (₹ 485.8 crores)	4.7	1.9	46.2	0.0	433.0

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

8.2.1. Construction of apron and link taxi track (₹ 17.5 crores)

A new apron to accommodate additional 4 Nos. AB-321/B-737 in contact parking bays. Additionally, 7 bays for smaller “B” category aircrafts proposed by reducing 2 Nos. AB-320 bays in the existing Apron.

8.2.2. Expansion of Terminal building (₹ 475.4 crores)

AAI has proposed to carry out modification of existing terminal, reconstruction of old terminal and additional expansion of terminal building. The required peak hour capacity for expansion of terminal building is 2,800 passengers (1,400 departure and 1,400 arrival) and the total area of expansion of terminal building is 35,000 Sq.m.

8.3. The Authority requested AAI to submit the capital expenditure to be incurred in FY 2016-17 based on current status. In response to this, AAI vide submission dated 26.04.2017 provided the revised capital expenditure (total ₹ 457.5 crores) to be incurred in FY 2016-17 and 2nd control period and accordingly the Authority has updated the capital expenditure in 2nd control period.

8.4. The Authority noted that the capital expenditure for construction of apron and link taxi track is revised to ₹ 17.8 crores vide AAI's submissions dated 26.04.2017.

8.5. The Authority noted that AAI in their submission dated 28.07.2017 provided following additional capital expenditure details:

8.5.1. Passenger boarding bridges (₹ 18.31 crores) - Construction of 3 nos. of aerobridges with fixed fingers to existing terminal building. The Authority proposes to consider capital expenditure for passenger boarding bridges as submitted by AAI.

8.5.2. Provision of Tensile Canopy towards Air side & City side of Terminal Building (₹ 10.06 crores) - Construction of tensile fabric canopy on city side and air side for passenger facilitation. Work shall be taken up after PMC report for New Terminal Building for integrated plan. The Authority proposes to consider the capital expenditure for tensile canopy based on 91.37% as aeronautical area ratio for terminal building.

8.6. The Authority noted as per AAI's submissions, the total amount for expansion of terminal building is ₹ 475.4 crores (civil works and electrical works). After applying 8.63% for non-aeronautical portion based on TB ratio, the aeronautical component for terminal building capital expenditure is ₹ 433 crores. Assuming 60% portion for civil works, it comes to ₹ 260 crores and 40% portion for electrical works amounting to ₹ 173 crores. The Authority proposes to use 91.37% as aeronautical for asset allocation of expansion of terminal building. The other capital expenditure details have been updated based on capital expenditure status provided by AAI vide their submission dated 26.04.2017.

8.7. The Authority has issued an order on Normative Approach to Building Blocks in Economic Regulations of major airports. AAI submitted that the total cost for expansion

of Airport Terminal is ₹ 475.4 crores and area of such terminal is 35,000 Sq. m. The Authority noted that the cost of terminal per square meter of terminal area is ₹ 1,35,829 which is higher than the threshold limits of normative cost as per Authority's guideline/ order.

8.7.1. As part of the further clarifications provided by AAI dated 17.05.2017, AAI submitted that the total area of terminal building is 42,000 Sq.m instead of 35,000 Sq.m. The existing Terminal building area is 22,300 Sq.m out of this 7,300 Sq.m shall be dismantled and total 42,000 Sq.m shall be newly constructed. As per the revised area, per Sq.m cost is 1,13,190 which is still higher than the normative threshold as per Authority's guideline/order.

8.7.2. As per the further clarifications provided by AAI dated 18.07.2017, AAI submitted that the AAI board note has been provided to justify the total cost (wherein total cost of ₹ 475.4 crores is approved for construction of new integrated terminal). The cost has been worked out by CHQ, AAI, New Delhi and the estimated cost of ₹ 475.4 crores is the cost of terminal building and related works excluding the cost of Apron and has been worked on the basis of CPWD-PAR and market rates based on the building constructed in the past. The normative approach for building cost as per AERA cannot be adhered to. In this regard, JV cell has written a detailed letter dated 20.09.2016 at AERA. Further this cost is subject to enhancement at 6.5% per annum.

8.7.3. Additionally, AAI submitted that Proposed cost of Construction includes all civil works (superior finishes modern roofing, advanced façade system, interior etc.) electrical systems (Air conditioning, Baggage Conveyors, PBB, lifts, escalators, Walkalators, solar power system), Airport system IT Infrastructure with maintenance friendly system comparable with world class airports. Hence, per unit cost is commensurate with the elegance and world class facilities being provided.

8.7.4. As per the clarifications provided by AAI dated 28.07.2017, the revised terminal area is 44,000 Sq.m which is inclusive of utility building area 2,000 Sq.m. and provided the detailed break-up of terminal capital expenditure as

given in the table below:

Table 26 - Capital expenditure for terminal building as submitted by AAI

S.N.	Particulars	₹ crore
1	Total Cost of New Terminal Building	475
A	Components not considered in Normative Approach	
2	Horticulture, Water Treatment, Car parking	3
3	Development of site, Internal Roads & Art work	5
4	External lightings and Advance lighting system, special lighting light fixtures & energy efficient fixtures, UPS system	15
5	Solar Photovoltaic Power Generation System	4
6	Central call bell system, telephone conduits, Computer conduiting	2
7	Interior works	10
8	Misc. works like Rain water harvesting and gable end works etc.	3
9	PMC service Charges	15
10	Contingency Works	14
	Total of A	71
	Total cost of the Terminal building project less above Items (A)	404
B	Cost for Additional Scope / Superior Specifications	
11	Additional cost for superior finish like aluminum alloy roofing (Kalzip) in place of RCC roofing.	9
12	Additional cost for superior finish like Structural steel frames for roofing	8
13	Additional cost for superior finish like structural glazing, SS cladding, ACP cladding etc.	8
14	Additional cost for Granite Flooring instead of vitrified tile flooring in 50% area.	3
15	In above estimate floor to floor height considered is 6m to 10m for 20000 Sq.m.	9
16	Additional cost for rock cutting for provision of basement (Part portion) in Terminal Building & Utility building	7
	Total of B	44
	Total cost of the Terminal building project less above Items (B)	360
C	Additional cost due to other factors	
17	Higher labour rates in Pune than labour rates at Cochin	14
18	Higher electricity rates in Pune than electricity supply rate in Cochin	3
19	Smaller size of Terminal building at Pune than Terminal Building at Cochin	5.5
20	Green building concept design to achieve GRIHA 4 star rating	3
21	Acute shortage of land for stacking of material, labour hutments, fabrication of frames, restriction of approach road etc. Labour arrangement will be at 5km from Airport site. Moreover Part site of work is not hindrance free, Central portion of existing Terminal	5.5

	Building of area 7000 Sq.m. is to be dismantled after rerouting of services and same is to be reconstructed to match with operational Terminal Building without disturbing airport operations.	
22	Total area constructed at Cochin Airport is 1,50,000 Sq.m., out of which considerable space is allocated for office area etc. which is of lower specification and requires less cost, whereas at Pune Airport office area is negligible.	3
23	Pune Airport is within Pune city limits, hence traffic regulations like no entry of heavy vehicles etc. are applicable which results in restricted working hours for bringing material and machinery.	3
24	Additional cost impact of GST @ 7%	28
	Total of C	65
	Total cost of the Terminal building project less above Items (C)	295
D	Net Cost per Sq.m.	67,045.5

8.8. The Authority noted that AAI has submitted construction cost of ₹ 67,045.5 per Sq.m. for expansion of terminal building after removing additional items not considered as part of normative benchmarks as shown in above Table 26. The Authority proposes to revise the capital expenditure for expansion of airport terminal based on normative benchmarks for FY 2015-16 and increase the benchmarks by WPI of 4.2% per annum till the year of capitalization. Additionally, the components which have not been considered as part of normative benchmarks (line item 5 and line item 10 in Table 26) are added to the capital expenditure arrived as per normative benchmarks. The total capital expenditure for terminal building arrived at by the Authority is ₹ 340 crores as shown in Table 27.

Table 27 – Capital expenditure for terminal building as proposed by the Authority

Sr. No.	Asset	Year	Area (sq. m.)	Inflation adjusted normative benchmark cost per unit area (₹ per sq. m.)	Allowed Capex (₹ cr.)
1	Expansion of Terminal Building	2021	42,000	76,627	322
2	Additional items not considered in normative benchmarks				18
	Total capital expenditure for expansion of terminal building				340

8.9. The Authority proposes to use 91.37% as aeronautical for asset allocation of expansion of terminal building. Assuming 60% portion for civil works, it comes to ₹ 186.4 crores and 40% portion for electrical works amounting to ₹ 124.3 crores. The Authority also proposes to undertake a study by technical experts to estimate the allowable terminal cost for civil enclave Pune vis-à-vis normative benchmarks. The Authority had asked AAI for detailed information on justification for exceeding the normative benchmarks. Due to lack of adequate information and in the interest of avoiding delays in fixing tariffs, the Authority proposes to determine capital expenditure using normative norms at this stage. The Authority shall undertake a study on reasonableness of capital expenditure and make appropriate adjustments while determining tariffs for third control period. Based on the outcome of study and the fairness of the tender procedures followed for selection of contractor, the Authority proposes to true-up the capital expenditure for terminal building at the time of tariff determination for 3rd control period.

8.10. The Authority further noted that the cost for terminal related assets (₹ 0.8 cr. in FY 2016-17, ₹ 1.5 cr. in FY 2017-18 and ₹ 10.1 cr. in FY 2018-19) has been considered as 100% aeronautical capital expenditure. The Authority proposes to allocate these assets based on 91.37% terminal building ratio to determine aeronautical capex (₹ 0.7 cr. in 2016-17, ₹ 1.4 cr. in FY 2017-18 and ₹ 9.2 cr. in FY 2018-19).

8.11. The Authority further noted that the cost for apron and link taxi track as submitted by AAI on 26.04.2017 is ₹ 17.5 crores and area of such apron is 21,090 Sq.m. The Authority noted that the cost of apron per square meter of area is 8,297.8 which is higher than the threshold limits of normative cost as per Authority's guideline/order. As part of the further clarifications provided by AAI dated 17.05.2017, AAI submitted that the following items have been included in total capital expenditure of ₹ 17.5 crores:

8.11.1. Shoulder area of 3,500 Sq.m approx. is also included in the estimate. Approx. cost of shoulder is ₹ 1.1 crores

8.11.2. Cost for electrical work of provision of Apron flood light High mast costing approx. ₹ 1.1 crores has been included in the estimate

8.11.3. Cost of ₹ 17.70 crores is also inclusive of service tax @ 6% on gross amount (15% on 40% amount) i.e. approx. ₹ 1 crore.

8.11.4. Provision of RCC pipes (900 mm Dia) has been made for drainage system and various electrical & Indian Air force cables below link taxi track is also included in the estimate approx. cost of the same is ₹ 1.1 crores

8.11.5. Approx. 50% area contains black cotton soil, ditch area and filled up soil up to average depth of 2m which needs to be replaced with moorum for construction of Apron. Approx. cost of the same including excavation, carriage of black cotton and filled up to 3km is ₹ 3 crores.

8.11.6. 50% of proposed site area is rocky area. Same needs to be removed as per the proposed slope of Apron. Approx. cost of the same is ₹ 0.7 crores.

8.11.7. Total cost for 21,090 Sq.m Apron and taxiway excluding above items is ₹ 9.7 crores and per Sq.m cost is 4,600 which is less than the normative threshold limit.

8.11.8. AAI vide their submission dated 28.07.2017 further revised the cost of apron and link taxi way to ₹ 17.8 cr. The Authority proposes to consider the cost of apron and link taxi way of ₹ 17.8 cr. in the aeronautical capital expenditure.

8.12. The Authority noted that capital expenditure VIP lounge (₹ 0.1 cr. in FY 2016-17) has been considered by AAI as aeronautical capital expenditure. The Authority proposes to exclude it from the aeronautical capital expenditure as it pertains to non-aeronautical assets.

8.13. The Authority proposes to consider the total aeronautical capital expenditure to be capitalized and added to RAB at ₹ 362.3 crores.

Table 28 - 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	Aprons	0.0	0.4	17.8	0.0	0.0
2	Building- Terminal	0.7	1.4	9.2	0.0	186.4
3	Plant & Machinery	3.1	0.0	0.0	0.0	0.0
4	Office Furniture	0.0	0.0	0.0	0.0	0.0
5	Electrical Installations	0.6	0.0	18.3	0.0	124.3
6	Other office Equipment	0.2	0.0	0.0	0.0	0.0
	Total (₹ 362.3 crores)	4.5	1.8	45.3	0.0	310.7

8.14. 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 28 subject to true-up of RAB based on actual aeronautical asset addition, outcome of the study and the actual costs as per the tender while determining tariffs for the 3rd control period.

8.15. In the 2nd control period, project works related to Apron and expansion of terminal building are proposed to be taken up. These require user consultation as per the Guidelines. The Authority notes that AAI has provided the minutes of AUCC meeting in their submissions dated 26.04.2017 for all the required project information as part of the consultation process with users.

Proposal No. 5. Capital Expenditure

5.a. The Authority proposes to consider allowable project cost of ₹ 362.3 crores and accordingly to reckon the amount of ₹ 362.3 crores as addition for total assets during the 2nd control period.

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

5.c. The Authority proposes to true-up the Opening RAB of the next control period depending on the capital expenditure 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 29 - 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%	0.00%	0.00%
2	Runways	13%	3.33%	3.33%
3	Taxiway	13%	3.33%	3.33%
4	Apron	13%	3.33%	3.33%
5	Road	13%	1.63%	3.33%
6	Building - Terminal	8%	1.63%	3.33%
7	Building - Temporary	100%	100.00%	33.33%
8	Building - Residential	5%	1.63%	3.33%
9	Security Fencing - Temporary	100%	100.00%	33.33%
10	Security Fencing - Boundary Wall	8%	1.63%	3.33%
11	Security Fencing - Residential	5%	1.63%	3.33%
12	Computer and Peripheral	20%	16.21%	16.67%
13	Computer and Package	20%	20.00%	20.00%
14	Plant and Machinery	11%	4.75%	6.67%
15	Tool and Plant	20%	4.75%	6.67%
16	Office Furniture	20%	6.33%	10.00%
17	Other Vehicles	14%	9.50%	12.50%
18	Vehicle (Car/ Jeep)	14%	9.50%	12.50%
19	Electrical Installations	11%	4.75%	10.00%

No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
20	Office Equipment	18%	4.75%	20.00%
21	Other than Office	20%	4.75%	20.00%
22	XBIS (X-Ray Baggage)	11%	4.75%	6.67%
23	CFT	13%	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 30 - 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	10.6	10.1	9.8	9.4	47.8	87.7
2	As per Authority	6.9	6.7	7.8	9.0	18.2	48.7

Proposal No. 6. Treatment of Depreciation

6.a. The Authority proposes to adopt depreciation rates as per Table 29 and depreciation for the 2nd control period as per Table 30.

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 Regulatory Asset Base for 2nd control period under Hybrid Till as follows:

Table 31 - Summary of the RAB and Depreciation for civil enclave Pune (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	59.6	50.8	40.7	30.9	21.6
B	Aeronautical Additional Assets capitalized during the year	1.9	0.0	0.0	0.0	450.5
C	Disposals/Transfers					
D	Depreciation	10.6	10.1	9.8	9.4	47.8
E	Closing Aeronautical RAB (A+B-C-D)	50.8	40.7	30.9	21.6	424.2
	Average RAB (A+E)/2	55.2	45.8	35.8	26.2	222.9

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 30.

10.4. The Authority proposes ₹ 362.3 crores as the addition of aeronautical assets to RAB as detailed in Table 28.

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

Table 32 - Summary of forecast and Roll forward RAB and Depreciation for civil enclave Pune (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	80.0	77.6	72.7	110.2	101.2
B	Aeronautical Assets capitalized during the year	4.5	1.8	45.3	0.0	310.7
C	Disposals/Transfers					
D	Depreciation	6.9	6.7	7.8	9.0	18.2
E	Closing Aeronautical RAB (A+B-C-D)	77.6	72.7	110.2	101.2	393.6
	Average RAB (A+E)/2	78.8	75.2	91.4	105.7	247.4

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 32

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 civil enclave Pune and financing activities are undertaken centrally at the corporate office of AAI. Due to lack of any debt on civil enclave at Pune'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 civil enclave at Pune 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 civil enclave at Pune 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 33 - 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	Restaurants/Snack Bar	3.5	4.0	4.6	5.2	5.9	7.4
2	TR Stall/others	1.5	1.7	2.0	2.3	2.6	3.2
3	Duty Free Shops	0.0	1.1	2.5	2.8	3.2	4.0
4	Hoardings & Displays	5.3	6.0	6.9	7.8	8.9	11.1
5	Land Leases	6.0	6.5	7.0	7.5	8.0	8.6
6	Buildings (Non-Residential)	1.6	1.9	2.2	2.5	2.8	3.5
7	Hanger	1.9	2.2	2.5	2.9	3.3	3.7
8	Car Parking	2.8	3.2	3.7	4.2	4.8	5.4
9	Admission Tickets	0.1	0.2	0.2	0.2	0.2	0.3
10	Flight catering service	0.4	0.5	0.6	0.6	0.7	0.9
11	Car rentals	0.1	0.1	0.1	0.1	0.1	0.2
12	Revenue from interest income	0.1	0.1	0.1	0.2	0.2	0.2
13	Other Miscellaneous Income	0.8	0.8	0.8	0.9	0.9	1.0
	Total	24.2	28.3	33.0	37.1	41.7	49.6

12.2. The growth rates assumed by AAI in their submissions dated 01.02.2017 for forecasting non aeronautical revenues are given below:

Table 34 – 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	Restaurants/Snack Bar	14%	14%	14%	14%	25%
2	TR Stall/others	14%	14%	14%	14%	25%
3	Duty Free Shops	-	122%	14%	14%	25%
4	Hoardings & Displays	14%	14%	14%	14%	25%
5	Land Leases	7.5%	7.5%	7.5%	7.5%	7.5%
6	Buildings (Non-Residential)	14%	14%	14%	14%	25%
7	Hanger	14%	14%	14%	14%	14%
8	Car Parking	14%	14%	14%	14%	14%
9	Admission Tickets	14%	14%	14%	14%	25%
10	Flight catering service	14%	14%	14%	14%	25%
11	Car rentals	14%	14%	14%	14%	25%
12	Revenue from interest income	10%	10%	10%	10%	10%
13	Other Miscellaneous Income	5%	5%	5%	5%	5%

- 12.3. The Authority noted that as part of clarifications provided dated 26.04.2017, AAI has revised the growth rates to 10% (from 14% as submitted earlier) for revenues from services other than regulated services all the revenues except for land lease revenues and other miscellaneous revenues. AAI has proposed these growth rates based on the contractual agreements. The Authority proposes to consider the revised growth rates as submitted by AAI dated 26.04.2017 for the determination of tariff for the 2nd control period as they are as per the contracts/ agreements signed or projected as per the contracts/ agreements to be signed in future with the service providers.
- 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 noted additional revenue considered as part of Building non-residential in FY 2016-17 (₹ 2.7 lakh), FY 2017-18 (₹ 8.5 lakh), FY 2018-19 (₹ 9.3 lakh) and FY 2019-20 (₹ 10.3 lakh). As per the clarifications received from AAI dated 26.04.2017, AAI submitted that additional revenue pertains to space allotted for Duty Free facility. The space was allotted in FY 2016-17.
- 12.6. 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 lease rentals

- 12.7. AAI has allotted following land to cargo, ground handling and fuel companies (CGF) for their operations. AAI has considered income from such land lease as non-aeronautical revenues

Table 35 – Details of land allotted to cargo, 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
		Paved	Unpaved	
Fuel	HPCL	760.56	-	0.45
Fuel	BPCL	623.82	-	0.32
Ground Handling	Cambatta Aviation	87.8	-	0.05
Ground Handling	Silver Jubilee Aviation Pvt. Limited	38.8	-	0.04
Cargo	Air India Limited	548.9	-	0.33
Cargo	Interglobe Aviation Limited	274.61	-	0.16
Cargo	Spice Jet Limited	319.81	-	0.19
Cargo	Jet Airways Limited	274.61	-	0.16
Cargo	Go Airlines Limited	225.47	-	0.13

12.8. Additionally, AAI has allotted 56 Sq.m. of space in Terminal building to GHA.

12.9. As per AAI's submissions dated 26.04.2017, AAI is not doing cargo activities at Pune airport. AAI has only provided paved land to airlines as detailed in the above table and earns land lease revenues. However, AAI has not considered income from cargo for the revised MYTP in the 2nd control period. As per clarifications provided by AAI dated 05.06.2017, Airports Authority of India has created a wholly owned subsidiary AAI Cargo Logistics and Allied Services Company Ltd. (AAICLAS) in the F.Y. 2016-17. The proposal for Cargo activities will be filed separately by AAICLAS or determination of Cargo tariff.

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 01.02.2017 have increased land lease rentals from cargo, ground handling agencies and oil companies by 7.5% per annum and proposes to accept the same. The Authority noted that AAI has increased rent revenues from building non-residential for GH agencies by 10% as per submissions made dated 26.04.2017 and proposes to accept the same.

12.12. The Authority proposes to consider land lease revenues and building non-residential

rent revenues on account of the aeronautical services of CGF as aeronautical revenue.

12.13. The Authority noted that hangars charges have been considered as non-aeronautical revenues and hangar assets have been excluded from Regulatory Asset Base.

12.14. The Authority observes that non-aeronautical revenue at civil enclave Pune is low and 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 36 – 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)	28.3	33.0	37.1	41.7	49.6
Adjustment:					
Change in revenue from cargo, ground handling and fuel services considered as aeronautical revenues and change in growth rates (B)	3.5	4.4	5.7	7.2	11.7
Non-Aeronautical Revenues as per Authority (A-B)	24.9	28.6	31.4	34.5	37.9

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 36

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 37 - 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 civil enclave Pune	29.8	35.8	38.9	42.4	46.1
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	4.6	5.5	5.8	6.1	6.4
3	Common Expenses related to ANS and non-aero	0.1	0.2	0.2	0.2	0.2
A	Total Pay roll Expenditure (1+2-3)	34.3	41.2	44.6	48.3	52.3
4	Administrative and General Expenditure	1.0	1.1	1.2	1.2	1.3
5	Apportionment of administration & General expenditure of CHQ/RHQ	6.0	6.6	7.2	7.9	8.7
B	Total Administration & General Expenditure(4+5)	7.0	7.6	8.4	9.2	10.1
C	Repairs and Maintenance Expenditure (Total)	6.9	7.6	8.4	9.2	10.1
6	Power Charges	6.7	7.4	8.2	9.0	11.4
7	Water Charges	0.3	0.3	0.4	0.4	0.4
8	Hire Charges - Car / Jeep & Others	0.6	0.6	0.7	0.8	0.9
9	Consumption of Petrol oil & Lubricants	0.1	0.1	0.1	0.1	0.1
10	Consumption of Stores & Spares	0.2	0.2	0.2	0.2	0.3
D	Utility and Outsourcing Expenditure (6+7)	7.9	8.7	9.5	10.5	13.1
E	Other Outflows	0.7	0.8	0.8	0.9	1.0
	Total (A+B+C+D+E)	56.7	65.8	71.7	78.1	86.6

13.3. The details of the assumptions made by AAI for O&M Expenditure in their

submissions dated 01.02.107 are given below:

Table 38 – 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%	20%	9%	9%	9%
	PF contribution	9%	20%	9%	9%	9%
	Other staff benefits	9%	20%	9%	9%	9%
	Medical expenses	9%	20%	9%	9%	9%
	Overtime	5%	20%	5%	5%	5%
	Allocation of Retirement Benefit provided at CHQ in r/o civil enclave Pune Employees	5%	20%	5%	5%	5%
2	R&M Expenses	10%	10%	10%	10%	10%
3	Utility and outsourcing Expenditure					
	Power charges	10%	10%	10%	10%	27%
	Water charges	10%	10%	10%	10%	10%
	Other outsourcing costs	10%	10%	10%	10%	10%
4	Administration and General Expenditure					
	Admin & General Expenses	10%	10%	10%	10%	10%
	Telephone Charges	5%	5%	5%	5%	5%
	Miscellaneous Expenses	5%	5%	5%	5%	5%
	Apportionment of CHQ/RHQ Expenses	10%	10%	10%	10%	10%
5	Other Outflows					
	Collection charges on PSF	10%	10%	10%	10%	10%

* 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 39 – O&M Expense allocation as submitted by AAI

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	97%	3%
2	Payroll Retirement benefit expenses Apportionment – CHQ	100%	0%
3	Admin and General Expenses – Non CHQ	88%	12%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	100%	0%

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
5	R&M Expenses	97%	0%
6	Utility and Outsourcing Charges	100%	0%
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 civil enclave Pune 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 civil enclave Pune employees (as per discussion with AAI).

13.6.3. The Authority has noted that an increase of 20% 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 cost basis. The Authority proposes to adopt CHQ/RHQ overheads apportionment for the 2nd control period based on actual revenue basis data provided by AAI.

Forecasting of apportionment of CHQ/RHQ admin expenses

13.7. The Authority notes that apportionment of CHQ/RHQ overheads administrative expenses have been increased by AAI at the growth rate of 10% annually for 2nd control period. These growth rates appear to be on a higher side. The Authority proposes growth rate of 5% for the apportionment of CHQ/RHQ overheads administrative expenses in line with the order issued for Trivandrum airport for 2nd control period.

Forecasting of power and water charges

13.8. The Authority noted that power charges have been increased by 10% from FY 2016-17 to FY 2019-20 and by 27% in FY 2020-21. The Authority also noted that wage charges have been increased by 10% for 2nd control period. As per the clarifications provided by AAI dated 26.04.2017, AAI submitted that the charges have been inadvertently revised in the 2nd control period and the same has been corrected in the revised submissions. As per the revised submissions dated 26.04.2017, the charges have not been increased during 2nd control period which is in line with the order issued for Trivandrum airport for 2nd control period.

Segregation of aeronautical expenses

13.9. The Authority notes that the Payroll Costs in the operational expenditure have been allocated using percentage of employees for aeronautical services to total employees which is 97%. 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.

13.10. The Authority notes that apportionment of retirement benefits provided in CHQ in respect of civil enclave Pune and apportionment of admin CHQ/RHQ expenses have been considered as 100% aeronautical expenses. The Authority proposes to use the ratio of 90% to 10% for aeronautical and non-aeronautical allocation for apportionment

of admin CHQ/RHQ expenses. The Authority proposes to use the ratio of 95% to 5% for aeronautical and non-aeronautical allocation for retirement benefits provided at CHQ in respect of employees at civil enclave Pune.

13.11. 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.

13.12. Terminal Area ratio for calculation of aeronautical assets is proposed as 91.37%. This ratio has been applied to specific expenses in R&M – Civil, R&M – Electrical, R&M - Electronics and Conservancy Charges/ Consumption of spares.

13.13. The Authority noted that certain expenses related to Salaries and Wages, PF Contribution, Other Staff Benefits and Medical Expenses include 50% expenses of ANS under airport expenses. AAI in their submissions dated 26.04.2017 clarified that staff deputed at Pune Airport (Civil Enclave) for CNS / ATC is also working for airport activities as ATC work is performed by Defence Authorities. Hence 50% staff related costs of CNS /ATC staff is taken as cost of airport activities. As per the revised clarification provided dated 05.08.2017, AAI submitted that the expenses of the ANS/CNS employees working exclusively for airport would be booked under Airport from the FY 2017-18 onwards .The projection of 50% expenses of ANS under airport expenses may continue for 2nd control period and it would be trued up on the basis of actual while finalizing tariff at 3rd control period for Pune. The Authority proposes to consider 50% of ANS related staff cost as part of airport O&M expenses as the employees work exclusively for airport.

Correction in projection

13.14. The Authority has noted that Freight charges for ANS were included in the airport O&M expenditure. After consultation with AAI, these have been excluded from the airport's O&M expenditure.

13.15. The O&M expenditure for FY 2015-16 which includes both aeronautical and non-aeronautical expense is given in the table below:

Table 40 – Total O&M expenditure for FY 2015-16 as proposed by the Authority

No.	Particulars (₹ crore)	2015-16
1	Pay roll Expenditure of civil enclave Pune	28.2
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	4.4
3	Less - Pay and Allowances of ANS unit and non-aero	0.1
A	Total Pay roll Expenditure (1+2-3)	32.5
4	Administrative and General Expenditure	1.1
5	Apportionment of administration & General expenditure of CHQ/RHQ	4.9
B	Total Administration & General Expenditure(4+5)	6.0
C	Repairs and Maintenance Expenditure (Total)	6.4
6	Power Charges	6.1
7	Consumption of Stores and Spares	0.2
8	Water Charges	0.3
9	Hire Charges - Cars/Jeep & Others	0.5
10	Consumption of petrol oil & Lubricants	0.1
D	Utility and Outsourcing Expenditure (6+7+8+9+10)	7.2
E	Other Outflows	0.6
	Total (A+B+C+D+E)	52.7

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

Table 41 – 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	88%	12%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	90%	10%
5	R&M Expenses	97%	3%
6	Utility and Outsourcing Charges	99%	1%
7	Other Outflows	100%	0%
	Total	95%	5%

13.17. 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 42 - 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 civil enclave Pune	28.7	35.8	38.3	40.9	43.8
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	4.5	5.6	6.0	6.4	6.8
3	Less - Pay and Allowances of ANS and non-aero	0.1	0.2	0.2	0.2	0.2
A	Total Pay roll Expenditure (1+2-3)	33.0	41.2	44.1	47.1	50.4
4	Administrative and General Expenditure	1.0	1.1	1.2	1.2	1.3
5	Apportionment of administration & General expenditure of CHQ/RHQ	4.6	4.8	5.1	5.3	5.6
B	Total Administration & General Expenditure(4+5)	5.6	5.9	6.2	6.6	6.9
C	Repairs and Maintenance Expenditure (Total)	6.9	7.5	8.3	9.1	10.0
6	Power Charges	6.1	6.1	6.1	6.1	6.1
7	Water Charges	0.2	0.2	0.2	0.2	0.2
8	Hire Charges - Car / Jeep & Others	0.3	0.3	0.3	0.3	0.3
9	Consumption of Petrol oil & Lubricants	0.6	0.6	0.7	0.7	0.8
10	Consumption of Stores & Spares	0.1	0.1	0.1	0.1	0.1
D	Utility and Outsourcing Expenditure (6+7+8+9+10)	7.2	7.3	7.4	7.5	7.6
E	Other Outflows	0.7	0.8	0.8	0.9	1.0
	Total (A+B+C+D+E)	53.3	62.7	66.8	71.2	76.0

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

13.19. The Authority proposes to undertake an independent study to assess the reasonableness of the operation and maintenance expenditure. The Authority would consider the results of the study to true-up the operation and maintenance expenditure while tariff determination for the 3rd control period.

Proposal No. 10. Operation and Maintenance expenditure

10.a. The Authority proposes to consider the operational and maintenance expenditure as given in Table 42 above, for the purpose of determination of aeronautical tariffs for the

2nd control period.

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

10.c. The Authority proposes to true up the O&M expenditure for FY 2016-17 to FY 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 01.02.2017 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 capital expenditure

14.3. The Authority proposes to consider aeronautical capital expenditure of ₹ 362.3 crores as given in Table 28 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 42.

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

14.6. The Authority proposes to consider existing tariffs while calculating aeronautical revenues for FY 2016-17 as the revised tariffs as submitted by AAI are proposed to be applicable from 01.10.2017 onwards.

Revised Tax as considered by the Authority

14.7. 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 43 - 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	6.4	29.2	35.9	43.9	54.2	169.6
As per Authority	0.0	9.9	34.4	41.8	45.4	131.6

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

Table 44 - 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	40.4	98.4	175.8	203.5	235.8
Aeronautical O&M (excluding CHQ/ RHQ Overheads)	44.3	52.3	55.8	59.5	63.5
CHQ/ RHQ Overheads	9.1	10.4	11.1	11.7	12.4
Depreciation as per IT Act	7.5	7.0	9.4	11.4	28.5
PBT	-20.5	28.6	99.5	120.9	131.3
Tax for aeronautical services	0.0	9.9	34.4	41.8	45.4

14.9. 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 44 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 while calculating tariff for 2nd control period.

Table 45 - 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	55.2	45.8	35.8	26.2	222.9
Return on Average Aeronautical RAB@14%	7.7	6.4	5.0	3.7	31.2
Aeronautical Operating Expenditure	17.0	65.8	71.7	78.1	86.6
Depreciation on aeronautical RAB	10.4	9.9	9.6	9.2	5.5
Aeronautical Corporate Tax @34.60%	6.4	29.2	35.9	43.9	54.2
Less- 30% of Non-Aeronautical Revenues	8.5	9.9	11.1	12.5	14.9
ARR as per AAI	33.1	101.4	111.1	122.3	162.6
Total ARR as per AAI	530.5				
No. of Passengers (as per Actual/Projected)	6,735,316	7,538,252	8,437,011	9,443,038	10,569,147
Discounted ARR	33.1	89.0	85.5	82.6	96.3
True up short fall in 1st control period as on 01.04.2016	233.3				
PV of ARR for the control period as on 01.04.2016	619.6				
Total Passengers during the control period	42,722,764				
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)	145.0				

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 noted that AAI has considered only 30% of aeronautical O&M expenditure in FY 2016-17 while calculating ARR. As per the clarifications received from AAI dated 26.04.2017, AAI submitted that the calculation is corrected for FY 2016-17 in the revised submissions dated 26.04.2017. The Authority proposes to correct the

calculation accordingly.

15.4. The Authority noted that AAI has considered depreciation only on opening RAB while calculating ARR. The Authority proposes to consider total depreciation in a given year (i.e. depreciation on opening RAB and depreciation on additions during 2nd control period) while calculating ARR.

15.5. 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 46 - 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	78.8	75.2	91.4	105.7	247.4
Return on Average Aeronautical RAB@14%	11.0	10.5	12.8	14.8	34.6
Aeronautical Operating Expenditure	53.3	62.7	66.8	71.2	76.0
Depreciation on aeronautical RAB	6.9	6.7	7.8	9.0	18.2
Aeronautical Corporate Tax @34.6%	0.0	9.9	34.4	41.8	45.4
Less – 30% of Non-Aeronautical Revenues	7.5	8.6	9.4	10.4	11.4
True up short fall in 1st control period as on 01.04.2016	135.3				
ARR as per Authority	199.1	81.3	112.4	126.5	162.9
Total ARR as per Authority	682.3				
Discounted ARR	199.1	71.3	86.5	85.4	96.5
PV of ARR for the control period as on 01.04.2016	538.8				
No. of Passengers (as per Projected)	6,787,391	7,596,935	8,503,132	9,517,528	10,653,055
Total Passengers during the control period	43,058,042				
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)	125.1				
Target yield per pax	151.7	158.0	164.6	171.5	178.7
Target Aeronautical Revenues	102.9	120.0	140.0	163.2	190.4
PV of Target Aeronautical Revenues	538.8				

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. Accordingly AAI has submitted the ATP(s) for 2nd control period in respect of civil enclave Pune. 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

16.4. The Authority noted that landing revenue at Pune airport is collected by Indian Air Force as it is a civil enclave.

16.5. The Authority also noted that the aeronautical tariffs for civil enclave Pune was determined in FY 2000-01 and have not been revised since then.

16.6. The Authority noted that AAI's proposed tariff could not be applicable from 1st April, 2017. The Authority proposes to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger. The Authority proposes that the revised tariffs to be applicable from 01.10.2017.

16.7. The Authority noted that if the existing tariffs applicable at Pune airport are not increased for the second control period, there will be shortfall of ₹ 255.7 crore vis-à-vis ARR. The shortfall can either be met by increasing various aeronautical charges such as Parking & Housing and fuel throughput or increasing UDF or both. Even with the increased parking & housing charges and fuel throughput charges, there is still aeronautical revenues shortfall left vis-à-vis ARR for which the UDF is proposed to reduce the gap. After considering the revised parking & housing and fuel throughput charges as proposed by AAI applicable from 01.10.2017, the resultant shortfall is ₹ 254.0 crore without the proposed UDF. To reduce the remaining shortfall, AAI has proposed the revised UDF of ₹ 350 per departing domestic passenger and ₹ 700 per departing international passenger as given in Table 48.

16.8. Further, the Authority noted that the revenue from tariffs and UDF as proposed by AAI to be applicable from 01.10.2017 will exceed the proposed ARR as per Authority for the 2nd control period. The resultant excess as per tariffs proposed by AAI as calculated on 01.04.2016 is provided in table below.

Table 47 - Projected Revenue, Target Revenue and shortfall/ excess based on AAI proposed tariffs for the 2nd control period applicable from 01.10.2017

Projected Aero Revenue based on AAI proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing (A)	0.0	0.0	0.0	0.0	0.0
Parking and Housing (B)	0.3	0.5	0.8	0.9	1.0
UDF/PSF as per existing rates (C)	26.1	29.2	32.7	36.6	41.0
FTP+ITP and lease rentals (D)	2.8	3.1	3.4	3.8	4.2
Ground Handling Charges and lease rentals (E)	5.2	5.7	6.2	6.9	7.5
CUTE (F)	6.0	6.7	7.5	8.4	9.4
Total Projected Revenues without increased UDF (G = A+B+C+D+E+F)	40.4	45.2	50.7	56.6	63.2
Target Aero Revenue	85.7	99.9	116.5	135.9	158.5
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	-45.3	-54.7	-65.9	-79.3	-95.3
PV value of shortfall as on 01.04.2016 with Discount rate (14.00%)	-45.3	-48.0	-50.7	-53.5	-56.4
Total PV of shortfall as on 01.04.2016 for the control period	-254.0				
UDF with revised rates proposed by AAI (H)	26.1	83.5	160.2	186.4	216.8
Total Projected Revenues with increased UDF (I = G-C+H)	40.4	99.4	178.1	206.3	239.0
Target Aero Revenue	103.4	120.5	140.6	163.9	191.2
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	-63.0	-21.1	37.6	42.4	47.8
PV value of shortfall (-)/ excess (+) as on 01.04.2016 with Discount rate (14.00%)	-63.0	-18.5	28.9	28.6	28.3
Total PV of excess (+) as on 01.04.2016 for the control period	4.2				

16.9. Hence, the Authority proposes to reduce the UDF as proposed by AAI such that the ARR is recovered through the revised tariffs and revised UDF. Accordingly, the UDF per departing passenger for domestic and international passengers is revised as per Table 48 to be applicable from 01.10.2017.

16.10. The revised tariffs as applicable from 01.10.2017 as submitted by AAI and as proposed by the Authority are given in table below:

Table 48 - 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
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
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

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
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	₹ 106.8	₹ 112.1	₹ 112.1
Passenger Service Fee (PSF) – Facilitation			
Domestic Passenger (per embarking passenger)	₹ 77	₹ 350	-
	\$ 1.93	\$ 5.83	-
International Passenger (per embarking passenger)	₹ 77	₹ 700	-
	\$ 1.93	\$ 11.67	-
User Development Fee (UDF) (UDF proposed by Authority instead of PSF(FC) above)			
Domestic Passenger (per embarking passenger)	-	-	₹ 345
International Passenger (per embarking passenger)	-	-	₹ 685
Passenger Service Fee (PSF) – Security*			
Domestic Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25
International Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25

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

16.11. 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.

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

16.11.2. Yearly increase of 4% every subsequent year (FY 2018-19 onwards) in parking and housing charges

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

16.12. The estimated aeronautical revenues based on tariffs as proposed by the Authority to be applicable from 01.10.2017 is indicated in Table 49.

Table 49 - Projected Revenue, Target Revenue and shortfall 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 (A)	0.0	0.0	0.0	0.0	0.0
Parking and Housing (B)	0.3	0.5	0.8	0.9	1.0
UDF/PSF as per existing rates (C)	26.1	29.2	32.7	36.6	41.0
FTP+ITP and lease rentals (D)	2.8	3.1	3.4	3.8	4.2
Ground Handling Charges and lease rentals (E)	5.2	5.7	6.2	6.9	7.5
CUTE (F)	6.0	6.7	7.5	8.4	9.4
Total Projected Revenue (G)	40.4	45.2	50.7	56.6	63.2
Target Aero Revenue	85.7	99.9	116.5	135.9	158.5
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	-45.3	-54.7	-65.9	-79.3	-95.3
PV value as on 01.04.2016 with Discount rate (14.00%)	-45.3	-48.0	-50.7	-53.5	-56.4
Total PV of difference as on 01.04.2016 for the control period	-254.0				
UDF with revised rates considered by AERA (H)	26.1	82.5	157.8	183.6	213.6
Total Projected Revenues with increased UDF (I = G-C+H)	40.4	98.4	175.8	203.5	235.8
Target Aero Revenue	102.9	120.0	140.0	163.2	190.4
Difference in revenue, i.e. difference (Projected – Permissible)	-62.6	-21.7	35.8	40.3	45.4
PV value of difference as on 01.04.2016 with discount rate (14%)	-62.6	-19.0	27.5	27.2	26.9
Total PV of difference as on 01.04.2016 for the control period	0				

16.13. 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%.

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

16.15. The Authority notes that ASQ rating at civil enclave Pune has been more than 3.75 in every quarter of 1st control period as required under Section 6.14.3 of Airport Guidelines. Details of the ASQ ratings are provided below.

Table 50 – Quarterly ASQ rating of civil enclave at Pune during the 1st control period

Quarter	2012	2013	2014	2015	2016
Q1		4.03	4.10	4.53	4.62
Q2		4.06	4.14	4.02	4.65
Q3		4.06	4.23	4.35	4.70
Q4	4.05	4.08	4.34	4.52	4.78
Average	4.05	4.06	4.20	4.36	4.69

Proposal No. 12. Tariff rate card

12.a. To accept Annual Tariff Proposals as given in Table 48 (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 civil enclave Pune.

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. 01.10.2017

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 **21.09.2017** at the following address.

Secretary

Airports Economic Regulatory Authority of India

AERA Building, Administrative Complex Safdarjung Airport

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Tel: 011-24695043, Fax: 011-24695039

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(S. Machendranathan)
Chairperson

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Annexure 1 – Detailed Tariff Card as proposed by the Authority to be applicable from 01.10.2017 or date of issuance of the AIC, whichever is later to 21.03.2018.

I) 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 scheduled operators at civil enclave Pune 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

II) THROUGHPUT CHARGES

Proposed
Proposed Rate Per KL (IN ₹)
₹ 112.1

III) PASSENGER SERVICE FEE (PSF) – SECURITY*

Proposed per embarking passenger	
₹ 130	\$ 3.25

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

	Proposed
1)	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. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
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

IV) USER DEVELOPMENT FEE (UDF)

Particulars	Proposed
Domestic per embarking passenger	₹ 345
International per embarking passenger	₹ 685

Notes

	Proposed
1)	Collection charges: If the payment is made within 15 days of receipt of invoice then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the 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. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No collection charges are payable to casual operator/non-scheduled operators
3)	For calculating the UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1 st fortnight and rate as on 15 th of the month for tickets issued in the 2 nd fortnight shall be adopted.
4)	Revised UDF charges will be applicable on tickets issued on or after 01.10.2017 or date of issuance of the AIC, whichever is later.

5)	No UDF will be levied for Transit Passengers
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V) Exemption from levy and collection from UDF and PSF (SC) 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 & PSF (Security).

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

VI) GENERAL CONDITION:

- a) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/ 2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by GOI.
- b) All the above Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.