File no. AERA/20010/MYTP/AAI-Amritsar/CP-I/2019-20
Airports Economic Regulatory Authority of India
*****

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi – 110 003.

Date: 17th July, 2020

Public Notice No. 10/2020-21

Sub: Comments/Submissions received from stakeholders on the Consultation Paper Nos. 05/2020-21 & 06/2020-21 dated 01.06.2020 regarding the determination of aeronautical tariffs in respect of AAI Varanasi & Amritsar Airports respectively.

Attention of all concerned is invited to Consultation Paper Nos. 05/2020-21 & 06/2020-21 dated 01.06.2020 regarding the determination of aeronautical tariffs in respect of AAI Varanasi & Amritsar Airport respectively, vide which the Authority had sought comments from the stakeholders.

2. In response thereof, the Authority has received comments/submissions from the following stakeholders.

Sl. No.	Stakeholders
1.	Delhi International Airport Limited (DIAL)
2.	Airports Authority of India (AAI)
3.	Inter Globe Aviation Limited (Indigo)

The comments/ submissions received, as above, are attached for information of all concerned.

(Ram Krishan)
Director (P&S)

GMR AIRPORTS LIMITED
GMR Airports Limited

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Dated: 8th July 2020

To,
Chairman
Airports Economic Regularity Authority of India
AERA Building, Administrative Office
Safdarjung Airport
New Delhi 110 003

Sub: Response to stakeholders' consultation meeting held on 30th June 2020 for comments on consultation paper for the determination of tariff for CP1 for Varanasi and Amritsar airports

Dear Sir,

This is with reference to the consultation papers nos. 5/2020-21 and 06/2020-21 issued by AERA on 1st June 2020, for the determination of MYTP for 1st Control Period for Varanasi and Amritsar airports respectively. We, at the outset, would like to thank you for the opportunity to participate in the stakeholders' consultation meeting held on 30th June 2020.

Further to the consultation papers and the meeting held, we are providing as below, our observations for your kind reference:

- Given the present situation of COVID 19, there is a high degree of uncertainty on the traffic figures. Also, a dip in Non-Aero revenues has been estimated by air traffic agencies to the tune of 50%, in terms of SPPs and actuals. While the fall in traffic and the resulting reduction of revenues would be considered for true-up based on actual in the subsequent control period, a reduction of the present scale would lead to a significant cash flow mismatch for the Concessionaire. Considering the above, we support AERAs position that the projections for traffic would be rationalized. In addition, we would also like to submit that Non Aero revenues should be rationalized in the given situation.
- AERA has recognized in the past that each airport is different and has used airport specific approaches for Capital Expenditure, rather than using the normative approach. We suggest that in continuation of the above, in these airports too, capital expenditure should be based on actuals.
- We wish to submit that terminal area allocation would be based on specific characteristics of the airport terminal. Considering the above, we suggest that the terminal area allocation should be based on actual area utilization, rather than on normative percentages.

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- In case of Varanasi Airport, it can be observed that there is an increase of nearly 250% in the terminal area. In view of the above, we suggest that costs towards utility, outsourcing, staff, repairs and maintenance, payroll, etc. may be re-looked at and revised to reflect a more proportional increase in cost.
- With regard to submission of fresh application for tariff determination by operator selected through competitive bidding, a 25% reduction has been proposed in the Consultation Paper in case of delay in filing. We would like to submit that for a private player, there is a high dependency on AAI for the past data which will form the basis for determination of tariff for the private airport. A delay due to this would penalize the private operator. We suggest that such a huge deterrent may not be levied as a precondition.
- The Authority has proposed to levy a 1% penalty in case of delay in implementation of the project envisaged. It is pertinent to mention that the project capitalization period may overlap with the privatization. Determination of delay and entity responsible may not be possible in such a scenario. We suggest that provision for such penalty be removed.
- In Varanasi and Amritsar Airports, an effective tax rate of 25.17% has been used for tax calculation. We agree with the AERA approach for adopting methodology for assessment of aero tax on a standalone aeronautical P&L drawn on the basis of various building blocks used for tariff determination.

We thank you for your kind consideration of the above.

Yours sincerely

GMR AIRPORTS LTD.

Rajesh Kumar Arora,
Chief Executive Officer – Business Development, JVs and Adjacencies
For and on behalf of GMR Airports Limited

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भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

NO-No AAI/CHQ/AERA/MYTP-Amritsar

Date:10/07/2020

The Director (P&S),
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport
New Delhi-110003

Sub: - AAI Comments on Consultation Paper No:-06/2020-21 in the matter of Determination of Aeronautical Tariff in respect of Amritsar Airport for the first Control Period (01.04.2019 to 31.03.2024).

Sir,

Reference is invited to consultation paper no:-06/2020-21 in the matter of Determination of Aeronautical Tariff in respect of Amritsar airport for first control period(01.04.2019 to 31.03.2024). The following comments of AAI on CP may be considered for determination of Aeronautical tariff of Amritsar Airport.

<table>
<tr><th>Sr. No</th><th>Consultation Paper</th><th>AAI Response</th></tr>
<tr><td>1</td><td colspan="2">Refer Para-4.12 of CP-Passenger Growth Rate</td></tr>
<tr><td></td><td>AERA has considered Passenger growth rate (-0.88%) and 9.46% for Domestic and International respectively for FY 2019-20 based on actual upto Dec 2019 and linear extrapolation upto March 2020.
AEAR has also considered 3 year CAGR i.e. 18.48% for Domestic and 3 year CAGR i.e. 17.55% for the 2nd year of the control period and onwards as per Table-7 are as under: -
<table>
<tr><td></td><td>FY</td><td>FY</td></tr>
<tr><td></td><td>1920</td><td>2021-24</td></tr>
<tr><td>D(%)</td><td>-0.88</td><td>18.48</td></tr>
<tr><td>I(%)</td><td>9.46</td><td>17.55</td></tr>
</table>
</td><td>AAI has submitted MYTP considering Passenger growth based on Actual upto Nov2019 as projected by CPMS which are as under: -
<table>
<tr><td></td><td>FY</td><td>FY</td><td>FY</td><td>FY</td><td>FY</td></tr>
<tr><td></td><td>19-20</td><td>20-21</td><td>21-22</td><td>22-23</td><td>23-24</td></tr>
<tr><td>D(%)</td><td>16</td><td>12</td><td>12</td><td>12</td><td>10</td></tr>
<tr><td>I(%)</td><td>15</td><td>10</td><td>10</td><td>10</td><td>8</td></tr>
</table>
As the Aviation Sector is going through a turbulent phase due to nationwide lockdown to contain the spread of Covid-19,
AERA is requested to consider the revised passenger growth based on FY1920 actual considering the impact of COVID -19 projected by Dept. of CPMS, AAI as under: -
<table>
<tr><td></td><td>FY</td><td>FY</td><td>FY</td><td>FY</td><td>FY</td></tr>
<tr><td></td><td>19-20</td><td>20-21</td><td>21-22</td><td>22-23</td><td>23-24</td></tr>
<tr><td>D(%)</td><td>(5)</td><td>(39)</td><td>20</td><td>16</td><td>16</td></tr>
<tr><td>I(%)</td><td>2.6</td><td>(63.4)</td><td>70</td><td>25</td><td>25</td></tr>
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Note:- For FY20-21, No. of Pax is assumed for 10 months due to 2 months nationwide lockdown.

2 **Refer Para-4.13 of CP-ATM Growth Rate**

AERA has considered ATM growth rate 1.19% and (10.83)% for Domestic and International respectively for FY 2019-20 based on actual upto Dec 2019 and linear extrapolation upto March 2020.

AERA has also considered 5 year CARG i.e. 13.09% for Domestic and 3 year CAGR i.e. 6.5% for the 2nd year of the control period and onwards as per Table-7 are as under: -

	FY 1920	FY 2021-24
D(%)	1.19	(10.83)
I(%)	13.09	6.50

AAI has submitted MYTP considering ATM growth based on Actual upto Nov2019 as projected by CPMS which are as under: -

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
D(%)	15	11	11	11	9
I(%)	14	9	9	9	7

As the Aviation Sector is going through a turbulent phase due to nationwide lockdown to contain the spread of Covid-19, , AERA may be requested to consider the revised passenger growth based on FY1920 actual considering the impact of COVID - 19 by CPMS as under: -

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
D(%)	(0.7)	(32.7)	18	15	15
I(%)	(13.5)	(54.3)	65	22	22

Note:- For FY20-21, No. of ATM is assumed for 10 months due to 2 months nationwide lockdown

3. **Refer Table no. 42- of CP-Freight Growth Rate**

AERA has considered the following Freight growth as projected by AAI.

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
D(%)	15	12	12	12	10
I(%)	12	12	12	12	10

As the Aviation Sector is going through a turbulent phase due to nationwide lockdown to contain the spread of Covid-19.

AERA may be requested to consider the revenue from AAICLAS on the basis of the revised Combined Freight growth based on FY1920 actual projected by CPMS are as under :-

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
D(%)	31.7	(18.5)	20	18	18
I(%)	89	(42)	60	25	25
Total	58.2	(31.2)	38.7	21.8	21.9

Hence, **Revenue from AAICLAS** may be taken as under:

(fig in Lacs)

FY	FY	FY	FY	FY

<table>
<tr><td></td><td></td><td><table><tr><td>19-20</td><td>20-21</td><td>21-22</td><td>22-23</td><td>23-24</td></tr><tr><td>88.65</td><td>60.99</td><td>84.58</td><td>103.00</td><td>125.53</td></tr></table></td></tr>
<tr><td>5</td><td colspan="2">Refer Para 5.3 – Employee ratio (Aero : Non Aero)</td></tr>
<tr><td></td><td>Refer table 8: It is mentioned that the ratio of Non Aero : Aero used by AAI are as under:<table><tr><th>Particulars</th><th>Ratio (F.Y. 2017-18)</th></tr><tr><td>Employee ratio</td><td>5:118</td></tr><tr><td>Quarter ratio</td><td>2:52</td></tr></table></td><td>AAI had submitted the following ratio in the MYTP for Non Aero : Aero :<table><tr><th>Particulars</th><th>Ratio (F.Y. 2017-18)</th></tr><tr><td>Employee ratio</td><td>5:109</td></tr><tr><td>Quarter ratio</td><td>2:50</td></tr></table>AERA is requested to consider the above ratio.</td></tr>
<tr><td>6.</td><td colspan="2">Refer Para 5.11 – Employee Ratios</td></tr>
<tr><td></td><td>AERA mentioned AAI has considered the employee ratio without deducting the cargo employees and ANS share of employees in Finance and HR. The Authority has computed the employee ratio based on above observations as 5/107. Accordingly, the Authority proposes to consider the ratio as 5/107.</td><td>It is to clarified here that AAI has deducted the cargo employee for all purpose. (However, the ANS share of employees in Finance and HR has been considered for payroll purposes only). and hence the ratio considered by AAI is EMP R-67(ANS):4 (Cargo):5(Non Aero):109(Aero).
HR and Finance employee work for ANS, Non-Aero as well as Airport. In the same way out of 39 CNS Staff 40% to 50% work for Passenger facilitation(FIDS/CCTV/X-Bis) but there proportion for aero has not been considered for determination of Tariff (payroll and allocation of assets).
Common assets have been bifurcated on the same basis i.e.5:109 but AERA has considered the 7 employees out of 19 employees of HR & Finance as proportion of Finance & HR to ANS for allocation of Assets. Therefore, only proportion of payroll cost of common employees to ANS/Non-aero is proposed in Form 11B in line with the previous tariff orders of AAI airports issued by AERA.
AERA is requested to consider the ratio proposed in MYTP as Amritsar is proposed for next PPP model as a result only Aero amount of common assets will be paid by Concessionaire in other words ANS proportion of common assets will not be paid while all the assets used by HR & Finance staff physically handed over to him.</td></tr>
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Allocation of Assets is done on the basis of actual utilization for the facility provided for like Navigation/Airport services/Non-aero Activities.
Hence AERA is requested not to consider proportion of HR & finance for allocation of common assets

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<td>7.</td>
<td colspan="2">Refer Para-5.10-Terminal Building Ratio (Aero:Non-Aero)</td>
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<td></td>
<td>Considering that the passenger profile at Amritsar Airport, is dominated by tourists, the AERA has consider the terminal building ratio as 10% for the bifurcation of Capex/expenditure into Aero & Non-Aero, in line with the optimum terminal building ratio of 8%- 12% as approved for similar airports.</td>
<td>AAI has submitted Terminal Building Ratio 5.43% based of the actual allotment of Non-Aero in the Terminal Building.

Justification: Even the present allocation of 5.43% is not fully utilized. The clientele at Amritsar is primarily Pilgrim Tourism which does not generally spend at airport.
Also, the guests normally travel with a lot of luggage making it necessary to have more movement space

AERA is requested to consider the Terminal Building ratio 5.43% based on the actual area allotment to concessionaires to run their business at the airport.

Accordingly, bifurcation of common assets and depreciation may be calculated for ARR.</td>
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<tr>
<td></td>
<td colspan="2">Refer Para 5.12: Allocation of common asset</td>
</tr>
<tr>
<td></td>
<td>
<table>
<tr><th>Particular</th><th>Common assets (INR in Cr)</th><th>Remark</th></tr>
<tr><td>Terminal Building</td><td>58.74</td><td>All Common Assets have been Allocated as per the Terminal Building ratio of 10%.</td></tr>
<tr><td>Building – Residential</td><td>1.32</td><td>Quarter ratio of 2:52 to be applied instead of employee ratio</td></tr>
<tr><td>Boundary wall residential</td><td>0.30</td><td>Quarter ratio of 2:52 to</td></tr>
</table>
</td>
<td>
<table>
<tr><th>Particular</th><th>AAI Comment</th></tr>
<tr><td>Terminal Building</td><td>AERA may be requested to considered the Terminal Building ratio 5.43% based on the actual area allotment to concessionaires to run their business at the airport.</td></tr>
<tr><td>Building – Residential

Boundary wall residential</td><td>AAI agrees that Quarter ratio to be applied instead of employee ratio, but the quarter ratio to be applied should be 2(non aero):2 (cargo):37(ans):50(aero) accordingly, the amount of common assets will get changed as the amount of ANS and Cargo will now be based on quarter ratio.
Accordingly, The figure will be as under:
<table>
<tr><th>Particular</th><th>Common assets</th><th>AERO</th></tr>
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		be applied instead of employee ratio		Build. Res: 1.22 / 1.18 Boudary wall. Ress: 0.25 / 0.24
Electrical Installations	68.31	The total common assets of INR 68.31 crore have been proposed to allocate on the basis of terminal area ratio.	Electrical Installations	Rs. 68.31 cr. has wrongly been considered as Common assets, as it includes most of the item which are purely AERO in nature e.g. Electrification of isolation bay-Airside, Perimeter road Lighting work, Lifts elevator, escalator, runway lighting etc. which are purely aero and may not be considered as common. Hence, AERA may be requested to consider assets worth Rs. 5.47 cr. as common as in MYTP based on actual use and same has already been bifurcated in the MTPY by using appropriate ratio i.e. TB ratio, employee ratio.
Office Furniture	1.38	AAI allocated the assets as 100% aeronautical. However, because these assets are used commonly by all employees, the Authority proposes to allocate these on the basis of Employee Ratio of 5:107	Office Furniture Other Office Equipment	Since these are allocated as per actual use. AERA may be requested to consider the allocation as proposed in MYTP by AAI. Also, to consider the employee ratio -AERA may be requested to consider the employee ratio at 5:109 instead of 5:107as per reply no.-5
Other Office Equipment	0.97	AAI proposed an allocation of ~99% aeronautical for these assets. However, because these assets pertain to office equipment used by the employees, the Authority proposes to		

<table>
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<tr><td>9.</td><td colspan="2">Refer Para 5.4 ,Table -9: Other Office Equipment</td></tr>
<tr><td></td><td>Table showing the assets allocation as per AAI: Other Office Equipment, Aero assets mentioned is Rs. 2.34 crores.</td><td>The aero part of Other Office Equipment is Rs 0.96 cr. AERA is requested to consider aero part of Other Office Equipments at Rs. 0.96 crore instead of Rs. 2.34 cr.</td></tr>
<tr><td>10.</td><td colspan="2">Refer Para-7.10.4 table no.17-- Addition cost in addition to Normative cost of Expansion of Terminal Building</td></tr>
<tr><td></td><td>AERA has considered PTB at Rs. 195.90 as under:
<table>
<tr><th>S. No.</th><th>Particulars</th><th>Rs. In Cr.</th></tr>
<tr><td>1.</td><td>Benchmarked cost for proposed expansion of existing PTB</td><td>160.00</td></tr>
<tr><td>2.</td><td>Cost of diverting services, dismantling wall partition and other unforeseen work etc</td><td>20.67</td></tr>
<tr><td>3.</td><td>Solar Plant</td><td>3.16</td></tr>
<tr><td>4.</td><td>Cost of Sub-Station Building</td><td>4.17</td></tr>
<tr><td>5.</td><td>Shifting and Trans installation of Existing Arrival BHS -2 nos and Modification of Existing Departure BHS</td><td>5.47</td></tr>
<tr><td>6.</td><td>Additional 04 nos. escalators in Existing Building for SHA from FF to MF</td><td>2.43</td></tr>
<tr><td>7.</td><td>Total Benchmarked cost for proposed expansion of existing PTB</td><td>195.90</td></tr>
</table></td><td>AERA is requested to consider the expenditure of Rs. 47.17 cr. (as intimated by Dte of Engg vide email dated 25.06.2020.) in addition to Cost of Rs. 195.90 cr. considered by AERA as per given below details
<table>
<tr><th>Particular</th><th>Amt in cr.</th><th>Justification</th></tr>
<tr><td>Cost proposed by AERA (A)</td><td>195.90</td><td></td></tr>
<tr><td>Canopy over the front road</td><td>2.07</td><td>The terminal area of 16000 sqm is excluding of canopy having area 2600 sqm (corresponding Plinth area as per CPWD will be 0.50x2600= 1300 sqm). Hence this is the additional area. The additional cost of canopy based on AERA order no. 07/2016-17 comes out to 2600x0.5x1,00,000= 13.00 Crs. However, the cost proposed wrt canopy is Rs. 2.07 Crs.</td></tr>
<tr><td>Pile foundations required as per site soil condition</td><td>13.66</td><td>Pile foundation are not normally used for construction of every terminal building. The such foundation is proposed at Amritsar due to having different soil conditions. Thus increasing the cost in addition to normal construction cost of the building. Further the AERA order no. 07/2016- 17 & AERA consultation paper no.</td></tr>
</table></td></tr>
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				05/2014-15 are silent about the such specific requirement due to poor soil condition.
		Street lighting with led	0.09	This scope is addition to the scope/specification specified in AERA order Annexure-II of AERA order no. 07/2016-17 and also in AERA consultation paper no. 05/2014-15 this cost is proposed to be considered addition to the cost of T.B @ Rs. 65000/- per sqm.
		Body Scanner	3.61	Full body scanners as per BCAS circular no. 05/2019 dt. 08.04.2019 has mandated the installation of Body scanner as Pre – Embarkation Security check points of all Airports.
		Provision of Automated Baggage Drop System	0.60	This provision is recently introduced at the Airport and No AAI airports are having such provisions till.
		Support Engineer Two (L1+L11 for 5 Years	0.12	The provision of support Engineer for IT is required after completion of the terminal building for 05 Years. Under the AERA order no. 07/2016- 17 as well as AERA consultation paper no. 05/2014-15, no such provision/consideration is considered w.r.t. support services after completion of building work. The control period is 01.04.2019 to 31.03.2024 & likely completion of terminal building work is Dec.

				2022. Hence cost for 1.25 year i.e. Rs. 0.12 Crs. need to considered additionally out of total amount of Rs. 0.48 Crs.
		Component of Design Charges	2.77	Engineering Design consultancy/PMC charges are not mentioned under the Annexure I /II of AERA order no. 07/2016-17 as well as under the AERA consultation paper no. 05/2014-15. This expenditure is in addition to normal construction expenditure, which need to be incurred by AAI
		Component of CER	1.44	The expenditure on account of CER (Corporate environmental responsibility is implemented By MoEF vide order dt. 01.05.2018 i.e. after AERA order no. 07/2016-17.
		Component of Employer's part contribution of ESIC & EPF	8.72	Out of Amount Rs. 15.81 Crs, the component of Employer's part contribution of ESIC & EPF is Rs. 8.72 Crs. & contingency part is Rs. 7.09 Crs. Such cost is wrt compliance of statutory provisions wrt labour and reimburse to the contractor based on the actual paid amount which is apart from the IDC & taxes. Employer's contribution for EPF & ESIC was not of normal construction cost but need to be reimbursed separately. This scope

		is addition to the scope/specification specified in AERA order Annexure I & Annexure-II of AERA order no. 07/2016-17 and also in addition to the scope/specification mentioned in AERA consultation paper no. 05/2014-15.
Strom water drain & horticulture operation	0.41	
Art work	0.95	
IBMS: integrated building management system	0.58	
Lighting automation including occupancy sensors	0.41	
Miscellaneous systems (Entertainment TC, e-gate, Dynamic signage's, In-Building solution, etc.	0.60	
Total (B)	36.03	
Corresponding Component of Contingency @3% on Amount Rs. 36.03 Crs	1.08	
Corresponding Component of Contingency @ 3% on Amount (Rs. 35.90 Crs) considered by AREA in addition to Rs. 160.00 crs for T.B.	1.08	This is need to be considered as addition to the cost considered by AERA of Rs. 35.90 Crs.

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Component of GST equivalent to earlier applicable service tax i.e. 15% of 40% on (Rs. 243.28-Rs. 93.64)	8.98	Earlier VAT was part of Project cost. Service tax was to be reimbursed separately. After implementation of GST, service tax is merged is GST, hence need to be accounted for
Total (C)	47.17	
Total (A)+(C)	243.07	

All the additions of Rs. 47.17 cr. are in addition to the scope/specification specified in AERA order Annexure-II of AERA order no. 07/2016-17 and also in AERA consultation paper no. 05/2014-15.

AERA is requested to consider the additional amount of Rs . 47.17 cr. to the cost of Terminal Building as proposed by AERA. Hence Total cost of Terminal Building proposed by AAI is Rs. 243.07 cr.
</td></tr>
<tr><td>11</td><td colspan="2">Refer Para-7.11.2: Cost of apron.</td></tr>
<tr><td></td><td>

AAI proposed the cost of Apron as Rs. 52.41 cr. Bifurcation is as under:

1. Civil part: Rs. 47.54 cr.
2. Electrical part (excluding GLF work.) Rs. 4.86.

AERA has worked out benchmark cost as 62.33 cr. but considered only Rs. 47.54 cr. towards cost of Apron.
</td><td>

1.AAI proposed the cost of Apron as Rs. 52.41 cr. Bifurcation is as under:

a. Civil part: Rs. 47.54 cr.
b. Electrical part (excluding GLF work.) Rs. 4.86.

2. AERA is requested to consider the balance amount of Rs. 4.86 crores towards electrical work of Apron which form part of total cost.
</td></tr>
<tr><td>12</td><td colspan="2">Refer Para-7.11.3 table no.19 – Cost of PTT (Parallel Taxi Track)</td></tr>
<tr><td></td><td>

AERA has allowed the following additional cost only in addition to the normative cost. Cost of IAF rehabilitation of Rs. 13.40 cr. and demolition : Rs. 0.40

Particular	Value
Area	124,000
Cost per sqm as on 1st April 2016 (INR)	4,700
Inflation % assumed	5%
Number of years of inflation	6
Inflation factor	1.34
Normative cost (INR crores)	78.10
Cost of IAF rehabilitation	13.40
Office support & demolition	0.40
</td><td>

AERA may be requested to consider the PTT at Rs. 98.00 cr. (as per email dated 25.06.2020 from Engg. Dte.) as under

Particular	Value	Justification.
Area	124000	
Cost per sqm as on 1st April 2016 (INR)	4700	
Inflation % assumed	5%	
Number of years of inflation	6	
Inflation	1.34	
</td></tr>
</table>

Total normative cost	91.90
Cost proposed by AAI (INR crores)	98.00
Cost proposed by AERA (INR crores)	**91.90**

factor		
Normative cost (INR crores)	78.1	
Cost of IAF rehabilitation	13.4	
Office support & demolition	0.40	
Cost proposed by AERA (INR crores)	**91.9**	
a) Cost of RCC Vent Box Culvert. b) Cost for earth filling, Construction of Drain & construction of 1/2/3 vent culvert and pipe culvert under the taxi for cable crossing & Drainage. c) Cost for Electrical Installation wrt PTT. d) Component of GST equivalent to earlier applicable service tax i.e. 15% of 40% on (Rs. 97.89 Crs - Rs. 44.88 Crs.).	6.10	a) A natural drain is crossing the Runway as well as will cross the PTT at Runway end. This is specially required as per site condition which is normally not applied to all Airports. The scope mentioned under Annexure-II of AERA order no. 07/2016-17 is mentioning only construction of pavement. Also under Annexure-I of AERA order no. 07/2016-17, there no provision w.r.t. culverts are considered and only cost of pavement is considered. This scope is addition to the scope/specification specified in AERA order Annexure-II of AERA order no. 07/2016-17. b) Also the scope/specification for Pavement mentioned in AERA consultation paper no. 05/2014-15 referred under AERA order no. 07/2016-17 is also limited to only civil works (excluding cost required for earth filling , lighting

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<table>
<tr><td></td><td></td><td>and drainage)
c) Also under working calculation at Annexure-I of AERA order no. 07/2016-17, cost of pavement excluding the AG lighting is considered.
d) Earlier VAT was part of Project cost. Service tax was to be reimbursed separately. After implementation of GST, service tax is merged is GST, hence need to be accounted for.</td></tr>
<tr><td>Cost proposed by AAI (INR crores)</td><td colspan="2">98.00</td></tr>
</table>
AERA is requested to consider the full cost of PTT at Rs. 98.00 crores.
</td>
</tr>
<tr>
<td>13</td>
<td colspan="2">Refer Para-7.14 table no.20 – Covid-19 impact on PDC of proposed capex.</td>
</tr>
<tr>
<td></td>
<td>AERA has considered the PDC of project submitted by AAI. However due to COVID 19/ Lockdown the PDC has been shifted.</td>
<td>AAI has reviewed the PDC of the capex due to impact of COVID - 19 in the meeting held on 20/05/2020. Revised PDC as submitted by the ED Engg NR, AAI are as given below. AERA is requested to consider the revised PDC in the MYTP.
<table>
<tr><td>Name</td><td>Earlier PDC</td><td>Revised PDC</td></tr>
<tr><td>Expansion of Terminal Building</td><td>March 2022 (submitted by AAI)
Sept 22 (Taken by AERA)</td><td>Dec 2022</td></tr>
<tr><td>Parallel Taxi Track</td><td>Rhab. Of IAF: March 2021
PTT: March 2023</td><td>Dec 2022</td></tr>
<tr><td>Expansion of Apron Rs. 52.41 cr. (excl. GLW work)</td><td>June 20</td><td>March 2021</td></tr>
</table>
</td>
</tr>
</table>

Upgradation of ALCMS & provision of ILCMS for CAT IIIB Lighting	Sept 2021 (But AERA has shifted it to FY 22-23)	March 2022*
SITC of Inline XBIS – 2nd Phase	March 2021	May 2021
Body Scanners	March 2021	May 2021
TCV (Threat Containment Vessel)	March 2021	June 2021
Runway Mechanical Sweeper	March 2021	March 2022
CFT and RIVs	March 2021	March 2022
Provision of AVDGS for Parking Bays	Dec 2019	March 2021*
Replacement of 2 nos outlived Baggage Conveyors Belt by New Baggage Conveyor in Domestic Arrival	June 2020	March 2021*
SITC of SCCTV (Security closed-circuit television)	Aug 2019	July 2020*
Provision of road from apron to fire station	April 2020	Sept – 2020
Replacement of old outlives DG sets in Phase-I Power House	April 2020	July 2020
Replacement of flooring	Dec 2021	March 2022.

*Accordingly Maintenance cost has also been shifted.

14	**Refer Para-7.13 : Replacement of flooring:**	
	AAI has proposed a capital expenditure of INR 8 crores for replacement of flooring in existing Terminal building. However, the Authority believes that the nature of the work is Operations & Maintenance and proposes to shift it to Repair & Maintenance expenses.	Replacement of flooring is a capital expenditure as it constitutes bringing into existence a new asset in place of the old one. AERA is requested to consider this as capital expenditure as proposed by AAI. The revised PDC is March 2020.
15.	**Refer Para-11.9 and 11.10 table no.32-Non-Aeronautical Revenue-Growth Rate.**	
	The additional 10% growth in the Restauraent snack bar, Hording and display, TR Stalls , Rent and service from	The 10% additional growth due to operation of expanded terminal building initially in FY

	non residential building, Duty free,Car parking, Car rental and addimission ticket in the FY 2022-23 proposed by AAI as PDC of Terminal Bulding Was March 2022.	2022-23 is proposed to be shifted to FY 23-24 due to revised PDC Dec 2022. AAI has reviewed the revenue arising from the commercial contract in the meeting held on 20/05/2020 and it is proposed to charge in FY 20-21 only 50% of Non-aeronautical of FY 19-20. In the FY 2021-22, 70% of FY19-20 and In the FY 22-23 100% of FY19-20 and there after @10% escalation to charge considering the effect of Covid-19. AERA is requested to consider the revised projection for the determination of Tariff.
16.	**Expenses due to Lockdown/ Covid**	
	Electricity and Sanitization expenses.	It is proposed that in the year 2020-21 the electricity be considered @35% (assumption basis) for April 2020 and May 2020 due to Lockdown because of Covid. 10% of Repair And Maintenance (Civil) is proposed as Additional R&M. due to Covid 19 for Sanitization , PPE, Temporary Partition etc.
17.	**Additional increase in Operating expense due to Expanded Terminal Building.**	
	Additional increase in Operating expense	The additional increase in the following expenses due to operation of expanded terminal building initially in FY 2022-23 is proposed to be shifted to FY 23-24 due to revised PDC Dec 2022. ▪ Pay & Allowance ▪ Electricity ▪ Upkeep ▪ Watch and Ward ▪ Repair and maintenance
18.	**Table 22 and 24: Depreciation Rate proposed by AAI**	
	Table 22 may be referred: It is mentioned that for Depreciation rate of 20% taken by AAI upto FY 2017-2018 i.r.t of Other office equipment. And same 20% has been recommended by AERA to be applied for FY 2017-18 and 2018-19 as per Table 24.	It may be clarified that AAI has considered the depreciation rate of 18% w.r.t. other office equipment as per AAI Depreciation rates. AERA is requested to consider the depreciation rate of 18% w.r.t. other office equipment for calculation of RAB and FY 2017-18 and FY 2018-19.
19.	**Refer Para 12.8: Trial balance for FY 2018-19**	
	1. An amount of INR 0.5 lakhs in item titled "Office Expenses" pertaining to AAICLAS & ANS has been included erroneously as part of Administrative & General Expenses;	1. There is wrong booking of the segment at the station level in these petty expenses. Therefore, the Misc office expenses and Meeting/Seminar Ent. Expenses of all segment have been

	2. An amount of INR 2.42 lakhs in item titled "Telephone Charges" pertaining to ANS has been included erroneously as part of Administrative & General Expenses; 3. An amount of INR 0.12 lakhs in item titled "Printing & Stationary" pertaining to ANS has been included erroneously as part of Administrative & General Expenses; 4. An amount of INR 18.25 lakhs in item titled "Hiring of Manpower" pertaining to ANS has been included erroneously as part of Administrative & General Expenses; 5. An amount of INR 17.69 lakhs in item titled "Electronics" pertaining to ANS has been included erroneously as part of Repair & Maintenance Expenses.	clubbed together and then allocated as per employee ratio. As a result the proportion of ANS and Cargo comes out to be Rs. 4.23 lakhs. 2. Tele phone expenses bills are generally initiated by CNS dept. however, the telephones are used by all the employees . So, The telephone of ANS and Airport are clubbed together and then allocated as per employee ratio. 3. There is wrong booking of the segment at the station level in these petty expenses. Therefore, the Printing and stationery and pstage and courier expenses of all segment have been clubbed together and then allocated as per employee ratio. As a result the proportion of ANS comes out to be 3.89 lakhs. 4. The total of Hiring of manpower Ledger all segments taken together is Rs. 72.98 lacs lakhs out of which the allocation has been made as under as per actual. a) Rs. 6.22 lacs F&A manpower allocated as AERO Expenses. b) Rs. 11.33 lacs FIDS- allocated as AERO expenses. c) Rs. 11.83 for EPBAX – has been allocated in Employee ratio. d) Rs. 43.26 lacs for manpower of Drivers allocated as per Driver ratio. e) Remaining amount Rs. 0.34 lacs has been considered as aero. So, the allocation has been made on actual basis. 5. This figure comprise of three ledger: a) Tel. Leased Lines/Sp: Employee ratio has been applied as these are intiniated by CNS but used by all employees. b) R&M-Other CNS Eqpt: Has been considered on actual basis as these includes the expenses of studio announcement which is aero in nature, aero, EPBAX AMC for which employee ratio is being used.

		c) R&M: COMP., IT H/W: Since the computers are used by all employees. Therefore, expenses all ans and airport have been clubbed together and then allocated as per employee ratio. As a result the proportion of ANS comes out to be INR. 8.53 lakhs. AERA is requested to consider these expense as per MYTP submitted by AAI.
20.	**Refer Para 12.11: Payroll expenses**	
	The Authority observes that AAI has allocated 4.03% of Payroll expenses – non CHQ/RHQ to Non Aeronautical expenses. The Authority proposes to revise this in proportion of employee ratio for FY 2018-19. 5/120 i.e. 4.17%.	Out of 207 staff there are 6 employees for HR and finance who also look after payroll expenses of 76 ANS employee and Percentage of ANS for the common expenses has already been deducted from total payroll in F-11 of MYTP. Proportion of HR & Finance to ANS are as under: Total Airport Strength: 131 Total ANS Strength: 76 Total: 207 Finance & HR: 17 proportion of Finance & HR to ANS: 6 Percentage of ANS for the common expenses: 4.76 In the same way of 207 staff there are 0.65 employees for HR and finance who also look after payroll expenses of 5 Non Aero (Comml. & Land) employee and Percentage of Non-aero for the common expenses has already been deduct from total payroll in F-11 of MYTP. Proportion of HR & Finance to Non Aero are as under: Total Airport Strength: 131 Finance & HR: 17 Non Aero Staff: 5 proportion of Finance & HR to Non Aero: 0.65 Percentage of Non Aero for Common Staff expenses: 0.50 AERA is requested to consider the above as shown in Form 11 (a) and 11(b)
21.	**Refer Para 12.12 : Administration and General expenses**	

	The Authority observes that AAI has allocated 99% of Administration and General expenses – non CHQ/RHQ to aeronautical expenses. The Authority proposes to modify this ratio based on the terminal building ratio and employee ratio for allocation of various components of these expenses. Accordingly, 93.95% of Administration and General expenses – non CHQ/RHQ may be allocated to aeronautical expenses.	AERA may be requested to consider the Terminal Building ratio on actual basis i.e. 5.43% and employee ratio of Non-aero/Aero ratio at 5: 109.
22.	**Refer Para-12.13 --Operation & Maintenance Exp:-Utilities and outsourcing Exp.**	
	AAI has proposed to allocate the entire Utilities and outsourcing expenses to aeronautical expenses. However, since the Utilities and related expenses shall be proportionately utilized for non-aeronautical functions also, the Authority proposes to allocate 90% of Utilities and outsourcing expenses to aeronautical expenses, in line with the Terminal Building ratio	Utilities and outsourcing expenses have the following components: - • Electricity charges: - Electricity charges have been bifurcated into 10.58%(ANS):0.83%(Cargo):88.52% Airport:0.07% Non-Aero (data provided by station) and the recoveries against the electricity provided to concessionaires and Staff qtr. have already been adjusted and the Net Expenditure for Aero has been considered in the proposal. • Consumption of Stores & Spares includes consumption of paper glass for the passengers are 100% Aero and consumption of stores & Spares, POL have been considered on actual basis. • Fees paid to outsider & Hire charges are allocated on the actual basis. AERA may be requested to consider the same amount as proposed in the MYTP. • CHQ/RHQ expenses and retirement benefit were projected provisional basis for FY 2018-19 based on FY 17-18. Now it is proposed to project on actual basis for FY 2018-19.
23.	**Refer Para : 13.7 Table 42: Fuel Throughput Charges**	
	AERA has considered Throughput charges of Rs. 5.42 cr. for the FY 2019-20.	Fuel Throughput Charges may be considered for 9.5 months only in the FY 2019-20 as the , the Ministry of Civil Aviation has discontinued the levy of fuel throughput charge at all airports with effect from 15th January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2) dated 8th January 2020. Hence AERA may be requested to consider the amount of Rs. 4.51 crores for FY 2019-20 (proportionately for 9.5 months adjusted for ATM growth.)

24.	**Refer Para-15.5 Table no.-47 –Calculation of ARR and Yield per passenger**

ARR and YPP as per AERA are as under: (in Cr.)

Particulars	Control period (2019-24)
Average RAB (INR crores)	1406.34
Fair Rate of Return	0.14
Return on average RAB (INR crores)	196.89
O&M expenses (INR crores)	478.95
Depreciation (INR crores)	122.79
Tax expense (INR crores)	34.05
Less: 30% NAR (INR crores)	89.21
ARR (INR crores)	743.46
Add: True up Shortfall/(Surplus) (of earlier years)	0
PV of ARR based @14% (INR crores)	564.12
Total traffic (million passengers) Departing	9.27
Yield Per Passenger (YPP) (INR)	608.31

After considering the above changes, the Revised ARR and YPP are as under:

Particulars	Control period (2019-24)
Average RAB (INR crores)	1493.58
Fair Rate of Return	0.14
Return on average RAB (INR crores)	209.10
O&M expenses (INR crores)	679.59
Depreciation (INR crores)	129.77
Tax expense (INR crores)	0
Less: 30% NAR (INR crores)	64.65
ARR (INR crores)	953.82
Add: True up Shortfall/(Surplus) (of FY 2017-18 and FY 2018-19)	0**
PV of ARR based @14% (INR crores)	716.11
Total traffic (million passengers) Departing	4.95
Yield Per Passenger (YPP) (INR)	1445.42

**In the earlier submission of MYTP by AAI there was excess recovery of Rs. 0.85 cr. for FY 2017-18 and 2018-19. AERA/MoCA has declared Amritsar as Major Airport from FY 2019-20 and hence applied AAI's depreciation rate and allocation of CHQ/RHQ common expenses on basis of FY 18-19 resulting in short recovery amounting to Rs. 66.82 cr. for the FY 2017-18 and FY 2018-19 which can't be carry forward as AERA has not considered Amritsar as Major Airport for the FY 2017-18 and FY 2018-19.

25	**Refer –Table no.53 Existing Parking and Housing charges**

Existing Housing & Parking Charges both for Domestic and International have been shown wrongly in CP.

AERA is requested to update/change the existing Housing and parking charges for both Domestic and International as per table given below:-

Existing Parking & Housing Charges: Domestic

Weight of the Aircraft	Parking Rate Per Hour (In INR)	Housing Rate Per Hour (In INR)

Upto 40,000 kgs	Rs. 1.80per hour per 1,000 Kgs	Rs. 3.50per hour per 1,000 Kgs
40,001 kgs to 1,00,000 Kgs	Rs. 72/- Plus Rs. 3.40 per 1,000 kg per hour in excess of 40,000 Kgs	Rs. 140/- Plus Rs. 6.80 per 1,000 kg per hour in excess of 40,000 Kgs
above 1,00,000 kgs	Rs. 276/- Plus Rs. 5.20 per 1,000 kg in excess of 1,00,000 kgs	Rs. 548/- Plus Rs. 10.30 per 1,000 kg in excess of 1,00,000 kgs

Existing Parking & Housing Charges: International

Weight of the Aircraft	**Parking Rate Per Hour (In INR)**	**Housing Rate Per Hour (In INR)**
Upto 40,000 kgs	Rs. 2.10per hour per 1,000 Kgs	Rs. 4.10per hour per 1,000 Kgs
40,001 kgs to 1,00,000 Kgs	Rs. 84/- Plus Rs. 3.90 per 1,000 kg per hour in excess of 40,000 Kgs	Rs. 164/- Plus Rs. 7.90 per 1,000 kg per hour in excess of 40,000 Kgs
above 1,00,000 kgs	Rs.318/- Plus Rs. 6.00 per 1,000 kg in excess of 1,00,000 kgs	Rs. 638/- Plus Rs. 11.90 per 1,000 kg in excess of 1,00,000 kgs

26	**Refer para 16.2 Date of implementation of Revised tariff**

	AERA has proposed to revise the Landing, Parking & Housing charges with effect from April 1, 2021 and the User Development Fees (UDF) from July 1, 2020.	AERA is requested to change the date of implementation tariff for all revenue streams w.e.f. 1.8.2020.
27	**Refer Para 13.4,13.5,13.6: Annual Tariff Proposal (Rate Card)**	
	AERA has allowed AAI to recover the ARR leaving a shortfall of Rs.12.89cr., with ATP are as under: - 1. **<u>Landing charges:-</u>** One-time increase of 45% and 20% respectively in Domestic and International for FY 2021-22 and thereafter a 6% increase on year on year basis up to FY 2023-24 <u>w.e.f. 1st April '2021.</u> 2. **<u>Parking Charges:-</u>**One time increase of 120% and 91% respectively in Domestic and International for FY 2021-22 and thereafter a 6% increase on year on year basis up to FY 2023-24 <u>w.e.f. 1st April '2021.</u> 3. **<u>UDF:-</u>** Rs.320 and Rs.1250 respectively in Domestic and International for FY 2020-21 <u>w.e.f. 1st July '2020.</u>	AAI is proposed to recover the revised ARR leaving a shortfall of Rs.295.07 cr.,(to be carry forward to the next control period) the revised ATP are as under: - 1. **<u>Landing charges:-</u>** One-time increase of 46.7% and 23% respectively in Domestic and International for FY 2020-21 <u>w.e.f. 1st August '2020.</u> and thereafter a 4% increase on year on year basis up to FY 2023-24 . 2. **<u>Parking Charges:-</u>**One time increase of 129% and 98% respectively in Domestic and International for FY 2021-22 and thereafter a 4% increase on year on year basis up to FY 2023-24 <u>w.e.f. 1st August '2020</u> 3. **<u>UDF:-</u>** Rs.700 and Rs.1300 respectively in Domestic and International for FY 2020-21 <u>w.e.f. 1st August '2020</u>

Based on the above comments, the Aggregate Revenue Requirement (ARR) has been reworked and the shortfall comes out to be Rs. 295.07 cr which shall be carried forward in the next control period to avoid very steep increase in the tariffs. For short recovery, a suitable Clause will be incorporated in the draft concession agreement by AAI during the next round of PPP transaction.

Amt in Cr.

Present Value of Target Revenue (for the 1st Control Period)	716.11
Total PV of projected Revenue at Proposed Rates as on 01.04.2019	421.04
Projected shortfall in ARR recovery	295.07

The revised rate card based on the above comments is also enclosed herewith.

This issues with the approval of the Competent Authority

Your sincerely

(Pradeep Kumar)
Executive Director (JVC & Tariff)

AIRPORTS AUTHORITY OF INDIA

AMRITSAR AIRPORT - PROPOSED RATE CARD FOR AERONAUTICAL SERVICES

FOR F.Y. 2020-21

EFFECTIVE FROM 1st AUGUST 2020 TO 31 MARCH 2021

(I) (a) Landing Charges - International flights

Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Upto 25 MT	270 Per MT
Above 25 MT up to 50 MT	6750+506 per MT in excess of 25 MT
Above 50 MT up to 100	19400+586 per MT in excess of 50 MT
Above 100 MT to 200 MT	48700+675 per MT in excess of 100 MT
Above 200 MT	116200+810 per MT in excess of 200

(b) Landing Charges – Domestic Flights

Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Upto 25 MT	180 Per MT
Above 25 MT up to 50 MT	4500+315 per MT in excess of 25 MT
Above 50 MT up to 100	12375+360 per MT in excess of 50 MT
Above 100 MT to 200 MT	30375+439 per MT in excess of 100 MT
Above 200 MT	74275+495 per MT in excess of 200

1. No Landing charges shall be payable in respect of a) aircraft with a maximum certified Capacity of less than 80 seats, being operated by domestic schedule operators at airport and b) helicopters of all types C) DGCA approved Flying school/flying training Institute aircrafts.
2. All domestic legs of International routes flown by Indian Operators will be treated as Domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
3. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
4. Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

II) PARKING CHARGES

	Proposed Rates (In INR)	
Weight of the Aircraft	**Parking Charges per Hour(First two hours after free parking period)**	**Parking Charges per Hour(beyond four hours)**
Upto 25 MT	3.51 Per Hour Per MT	7.02 Per Hour Per MT
Above 25 MT up to 50 MT	87.74+ 4.68 per MT per Hour in excess of 25 MT	175.48+9.36 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	204.73+ 9.36 per MT per Hour in excess of 50 MT	409.45+18.72 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	672.67+ 11.70 per MT per Hours in excess of 100 MT	1345.34+23.40 per MT per Hours in excess of 100 MT
Above 200 MT	1842.53+ 12.87 per MT per Hours in excess of 200 MT	3685.05+25.74 per MT per Hours in excess of 200 MT

Notes-

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 take-off.
2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
3. Charges shall be calculated on the basis of nearest MT.
4. Charges for each period parking shall be rounded off to nearest rupee.
5. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6. Night parking charges (between 2200 hours to 0600 hours) will be similar to the parking and housing charges as per table above. Night parking charges are waived off in principle for all domestic scheduled operators at Amritsar Airport if the State Government has brought the rate of tax (VAT) on ATF$\leq$5%. The above waiver of night parking charges will be made applicable from the date of implementation of $\leq$5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief

of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.

7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
8. For unauthorized overstay of aircraft an additional charge of Rs. 20.00 per hour per MT beyond 24 hours is to be payable.

III) USER DEVELOPMENT FEES (UDF)

Passenger	Proposed UDF (per embarking passenger)
Domestic	Rs. 700/-
International Passenger	Rs. 1300/-

PSF (F) is proposed to be subsumed in the UDF.

Notes:-

a) Collection charges: if the payment is made in accordance within period prescribed under credit policy of AAI, then collection charges at INR Rs. 5.00 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 prescribed credit period or in case of part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI.
b) No collection charges are payable to casual operator/non-scheduled operators.
c) For conversion of UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
d) Revised UDF charges will be applicable on tickets issued on or after 01/08/2020.
e) No UDF/PSF (Facilitation) will be levied for Transit Passengers.

V) Aviation Security Fee : Applicable as prescribed by MoCA.

VI Exemption from levy and collection from UDF/ASF at the Airports

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI & dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF and Further Ministry of Civil Aviation vide Letter no. AV.13024/659/2015-AS dated 07.06.2019 have directed all airports to exempt the following categories from levy and collection of ASF:

(a) Children (under age of 2 years),

(b) Holders of Diplomatic Passport,

(c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),

(d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,

(e) Persons traveling on official duty for United Nations Peace Keeping Missions.

(f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

(g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

VII) GENERAL CONDITION:

a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
b) Flight operating under Regional connectivity scheme will be completely exempted from charges as per Order No.20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.

10 July, 2020

To,

Airports Economic Regulatory Authority of India (AERA)
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi – 110003

Kind Attention: Shri. B.S. Bhullar (IAS) Chairperson, AERA

Subject: **In the matter of determination of aeronautical tariffs in respect of Lal Bahadur Shastri International Airport, Varanasi (Consultation Paper No. 5/2020-21 dated 1 June, 2020) and Shri Guru Ram Dass Jee International Airport, Amritsar (Consultation Papers No. 6/2020-21 dated 1 June, 2020)**

Reference: Stakeholder Consultation Meeting (Video Conference) dated 30th June, 2020

Dear Sir,

We, InterGlobe Aviation Limited (**IndiGo**), write in response to the above captioned consultation papers issued by the Airports Economic Regulatory Authority of India (**AERA**) in the matter of determination of aeronautical tariffs in respect of Lal Bahadur Shastri International Airport, Varanasi (**VNS**) and Shri Guru Ram Dass Jee International Airport, Amritsar (**ATQ**) airport, each for the First Control Period (1.4.2019 – 31.3.2024), collectively referred to as '**Consultation Papers**' and stakeholder consultation meeting dated 30th June, 2020 on the same.

The Consultation Papers, inter alia, propose an increase/hike in aeronautical tariffs at VNS and ATQ as follows for FY 2021-22:

(i) Landing Charges – 10% (Domestic) and 5% (International) at VNS; 45% (Domestic) and 20% (International) at ATQ; and
(ii) Parking and Housing charges - 120% (Domestic) and 91% (International) at each VNS and ATQ;

The increase/hike in Landing, Parking and Housing Charges is proposed to be implemented by AERA in April, 2021, with a subsequent increase of 6% on a year to year (YoY) basis until 2023-24.

Pursuant to the issuance of the Consultation Papers, Airports Authority of India (**AAI**) in the stakeholder meeting dated 30th June, 2020 made a presentation (**PPT**) proposing revised tariffs (including UDF) which are even higher than those proposed by AERA under the Consultation Papers, and have further proposed the implementation of revised tariffs w.e.f August, 2020.

While IndiGo welcomes AERA's proposal to defer the increase/hike in Landing, Parking and Housing charges (domestic and international traffic) at VNS and ATQ to April, 2021, IndiGo submits that AERA should not allow/implement increase of aeronautical tariff, during the First Control Period, due to reasons stated below.

As you are aware, the airlines (including IndiGo) have suffered adverse financial impact due to operational restrictions on scheduled domestic and international air transport, imposed by government authorities due to COVID – 19, during the period of March to May, 2020. At the same time, airlines have continued to incur airport charges and further been directed to mandatory refund amount of cancelled tickets during such period, which has aggravated the financial impact.

While the scheduled domestic air transport has been permitted a calibrated opening w.e.f. 25th May, 2020, such flight operations are subject to restrictions on capacity and fare, and adherence to safety protocols, as imposed by Ministry of Civil Aviation / Directorate General of Civil Aviation (**DGCA**). You will appreciate that until there is a complete opening of scheduled domestic and international flight operations, coupled with regaining confidence of passengers in air travel, airlines will continue to face a weak financial position.

We wish to highlight that the proposed increase in Landing Charges itself will adversely impact the domestic operating expenditure for IndiGo at VNS by approx. 10% (AERA proposed rates) and 48% (AAI PPT rates); and at Amritsar by approx. 45% (AERA proposed rates) and 47% (AAI proposed rates under PPT), at the current levels of operations. This impact is likely to further increase with the YoY increase of tariff proposed by AERA/AAI and increase of flight operations.

In the given circumstances, it is imperative that AERA does not take any steps, including by way of increase in aeronautical tariff, during the First Control Period, which precipitates any further adverse financial impact on the airlines.

Without prejudice to the above, and as desired by AERA, please find attached IndiGo's comments on the Consultation Papers and AAI PPT, as applicable, under **Annex – A**.

Thanking you,

Yours sincerely,

InterGlobe Aviation Limited

Vikram Chona
Vice President – Corporate Affairs
InterGlobe Aviation Limited ("IndiGo")

Encl: a/a

Copy to: **Shri Ram Krishan, Director (P&S Tariff), AERA**

Annex – A

Comments on Consultation Papers and AAI Presentation (PPT)

Please find below comments on the Consultation Papers, which are common to VNS and ATQ, except to the extent when separately identified for either VNS or ATQ:

<table>
<tr><th>S. No.</th><th>Para of CP</th><th>Particulars</th><th>Comments/Submission</th></tr>
<tr><td>1.</td><td>3.2 and 3.3</td><td>Revenue from Air Navigation Services and Cargo services</td><td>IndiGo submits that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), "aeronautical services means any services provided-
(i)For navigation, surveillance and supportive communication thereto for air traffic management.....
(v) for the cargo facility at an airport.."

IndiGo submits that considering the above provisions of the AERA Act, revenue from Air Navigation Services, Cargo services (100% revenue accruing to AAICLAS) should form part of aeronautical revenues and accordingly Authority should take into account of the corresponding revenue and revise the tariff card.</td></tr>
<tr><td>2.</td><td>4</td><td>Traffic</td><td>AERA has adopted the following CAGR for Traffic Growth in the Consultation Paper:
<table>
<tr><td>Airport</td><td>Domestic Pax</td><td>International Pax</td><td>Domestic ATM</td><td>International ATM</td></tr>
<tr><td>ATQ</td><td>3 Year</td><td>3 Year</td><td>5 year</td><td>3 year</td></tr>
<tr><td>VNS</td><td>10 Year</td><td>5 Year</td><td>3 Year</td><td>5 Year</td></tr>
</table>
What is the rationale behind adopting different CAGR periods for domestic and international (Passenger and ATM) in ATQ and VNS. In other words, is there any methodology to select a particular category of CAGR? AERA to kindly clarify.

<u>Comments on AAI PPT</u>
AAI has not disclosed the details of traffic forecast (including comparison with any other forecast with industry forums like IATA etc.) in accordance with Clause A 5.6 of AERA (Terms and Conditions for Airport Operators) Guidelines, 2011 (AERA Guidelines).

IndiGo submits that the Authority of relying on projections provided by AAI, should conduct its own independent study on traffic projections in accordance with the AERA Act. The same assumes even more importance as AAI has claimed a share decline/negative growth in the traffic due to COVID – 19.</td></tr>
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3.	5	Allocation of Assets between Aeronautical and Non – Aeronautical	IndiGo submits that the AERA's proposal to bifurcate assets between aeronautical assets is based on information received from AAI and no detailed technical evaluation of the same has been done by AERA. IndiGo submits that no basis or independent study has been conducted by AERA for this ratio. IndiGo submits that allocation of the airport assets between Aeronautical or Non- Aeronautical categories is critical under Hybrid Till approach, hence the same should be carried out on the basis of independent study in terms of the AERA Act. Without prejudice to the above, IndiGo requests AERA to clarify the allocation ratio of terminal building and electrical installation and basis for splitting the expenditure. IndiGo submits that the split of new terminal building cost between electrical installation and terminal building will have significant impact on depreciation as higher allocation of electrical installation will lead to accelerated depreciation and consequently higher ARR (as depreciation rate of electrical installation is higher than building).
4.	7	Capital Expenditure for the 1st Control Period	Terminal Buildings (i)Need for expansion of terminal building in the case of ATQ and Construction of new terminal building at VNS AERA should review the need for expansion and construction of new terminal building at ATQ and VNS, respectively, in light of (a) the proposed privatization of the airport – which may entail fresh assessment, capex requirements and consequent impact on tariff (b) any decline in passenger growth due to COVID - 19, as may be assessed by AERA. (i) Normative Costs of Construction IndiGo submits that AERA has adopted the normative approach towards determination of cost of terminal building and has considered a normative cost of INR 100,000 per sq. meters, as taken for other airport like Guwahati, Lucknow Chennai and Patna. However, IndiGo submits that as per Normative Order No. 07/2016-17 "In the matter of normative approach to building blocks in economic regulation of major airports – capital costs reg." dated 13.06.2016 (Normative Order), the ceiling cost per sq. metre for terminal building is stated as INR 65,000. IndiGo would also like to highlight that the cost per square meter of the terminal building in the case of Vishakhapatnam Airport is INR 58,546.60 per sq. mt. Without prejudice to the above, IndiGo submits that the regional dynamics of Varanasi and Amritsar is

			not similar to Guwahati, Lucknow, Chennai and Patna and therefore considering the cost escalations in those regions will not be appropriate. Accordingly, IndiGo submits that any cost to be allocated for capital expenditures should be within the normative norms prescribed by the Normative Order. <u>Comments on AAI PPT</u> AERA is requested to kindly review any additional cost claimed by AAI, exceeding the normative costs, as the same will have a significant impact on tariff.
5.	8	Depreciation	(i) Terminal Building IndiGo submits that on a review of useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as 60 years and aprons have it for as long as 99 years. IndiGo submits that the useful life of terminal building for Kannur and Cochin airports have been considered 60 years by Authority. (ii) Residential Building IndiGo submits that as per Sl. No. 8 of Annexure - I of the Authority's Order 35/2017-18 "In the matter of determination of useful life of Airport Assets" dated 12.01.2018, residential buildings have a prescribed useful life of 30/60 years. It is pertinent to note here that unlike in case of terminal buildings where option of 30 or 60 years is to be evaluated by Airport Operator, the election of 30 years or 60 years is case of residential buildings is not to be evaluated by Airport Operator but is to be derived from provisions of Companies Act. IndiGo submits that Part C of Schedule II of Companies Act 2013 prescribes useful life of Buildings (other than factory buildings) having Reinforced Concrete Cement (RCC) frame structure to be 60 years. It is very unlikely that residential buildings will not be built on RCC Frame structure. IndiGo submits that residential building should be depreciated over a period of 60 years and not 30 years. In view of (i) and (ii) above, IndiGo submits that AERA should consider the useful life of Residential building and Terminal Building as 60 years as envisaged in Order 35/2017-18 read with Schedule II of Companies Act 2013, as applicable, and revise the amount of depreciation accordingly.

6.	10	Fair Rate of Return	The Consultation Papers provide the FRoR at the rate of 14% with the exception of VNS for the last year (FY ending March 2024) being given at 11.96%. IndiGo understands that AERA may consider a normative capital structure at a later date. IndiGo requests AERA to expedite the study for normative norms on capital structure to review the high cost of equity/FRoR being awarded to state entities like AAI, which are required to cate to public interest and not commercial interests.
7.	11	Non - Aeronautical Revenue	IndiGo submits that the increase in non-aeronautical revenue is a function of passenger traffic growth, inflationary increase and real increase/escalations in contract rates. IndiGo submits that despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projection for the first control period by Authority, IndiGo has observed that a conservative approach has been taken by the AERA. In particular, as seen below: (i) In the case of VNS, the New terminal building is to be built over an area admeasuring 67,000 sqm. (c. 2.5 times capacity of existing terminal building admeasuring 25232 Sqm.). However, corresponding non aeronautical incomes not considered accordingly. (ii) In the case ATQ, AERA to review a higher increase in non – aeronautical income (including Admission tickets) considering the expansion of terminal building. (iii) Car Parking – AAI should be asked to clarify for the reasons of decline of car parking revenue in each of VNS and ATQ. (iv) Land Lease/Commercial contracts/building - AAI to clarify whether annual escalation as agreed under related contracts have been considered. <u>Comment on AAI PPT</u> AAI PPT states as follows: *"To extend waiver to commercial contracts by giving a reduction of 50% in FY20-21, 30% in FY21-22, Nil in FY 22-23 and thereafter 10% escalation are proposed to be charged."* AAI to clarify whether airlines are eligible to claim waiver of charges under the above referred 'commercial contracts'? If yes, kindly specify such contracts relevant for airlines.

8.	12	Operation and Maintenance Expenditure	IndiGo submits that the Operating Expenditure is one of the major components for determining ARR, hence, the AERA should evaluate such expenses in detail rather than accepting projections provided by AAI on an "as is" basis. IndiGo further submits that as per clause 5.4.2 of AERA Guidelines, while reviewing forecast of operating expenditure the Authority has to assess (a) baseline operation and maintenance expenditure based on review of actual expenditure indicated in last audited accounts and check for underlying factors impacting variance over the preceding year; and (b) efficiency improvement with respect to such costs based on review of factors such as trends in operating costs, productivity improvements, cost drivers as may be identified, and other factors as may be considered appropriate. IndiGo submits that in order to assess efficient operating expenditure, AERA should have conducted an independent analysis in terms of AERA Act. IndiGo submits that VNS and ATQ have already completed a significant period of operations, hence benchmarking the costs would not be difficult for the Authority. However, till the time study is conducted, IndiGo would like to highlight aeronautical allocation ratio proposed as per AERA CP 5/2014-15 of Normative approach of 80% should be used, hence INDIGO submits that aeronautical expenditure should be considered at 80% for the first control period. Without prejudice to the above, IndiGo submits that In Varanasi - IndiGo submits that for an increase of approx. 20% in operational hours, an increase of 40% in electricity charges seems unreasonable. AERA had accepted 30% in the case of Patna Airport considering a similar increase. IndiGo submits to the Authority to consider the increase in electricity expense in line with and proportional to the increase in operational hours.
9.	14	Taxation	IndiGo submits that as per para 5.5.2 of AERA Guidelines, "*The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof*". IndiGo submits that as per proviso to sub-section (ii) Section 72 of Income Tax Act, 1961 "*if the loss cannot be wholly so set off, the amount of loss not so set off shall, in case the business so re-established, reconstructed or revived continues to be carried on*

			by the assesse, be carried forward to the following assessment year and so on for seven assessment years immediately succeeding". IndiGo submits that business losses can be carried forward for 8 years and can be set off with profits in future years. IndiGo submits that the actual tax paid by the Company in control period shall be lower due to the set off of carry forward of losses prior to the present control period. IndiGo submits that losses for periods prior to present control period (if any) that are allowed to carry forward as per Income Tax Act, 1961 should be considered while computing taxation in the first control period rather than leaving it for true up in the second control period. IndiGo submits that actual payment of income taxes should be considered for true up purposes.
10.	2.2	Methodology for Tariff Determination – Hybrid Till Vs. Single Till	IndiGo submits that as per para 2.2 of the Consultation Papers, it is stated that the AERA shall determine tariffs for VNS and ATQ Airport using the Hybrid Till model. It is to be noted that IndiGo has from time to time, advocated the application of a Single Till model across the airports in India. IndiGo submits that AERA should adopt Single Till basis the following legal framework being: In the Single Till Order, AERA has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the Authority has inter alia in its Single Till Order: (i) Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements. (ii) Taken into account the legislative intent behind Section 13(1)(a)(v) of the AERA Act. (iii) Concluded that the Single Till is the most appropriate for the economic regulation of major airports in India. (iv) The criteria for determining tariff after taking into account standards followed by several international airports (United Kingdom, Australia, Ireland and South Africa) and prescribed by ICAO. AERA in its AERA Guidelines (Clause 4.3) has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services.

			The fundamental reasoning behind 'Single Till' approach is that if the consumers/passengers are offered cheaper air-fares on account of lower airport charges, the volume of passengers is bound to increase leading to more foot-fall and probability of higher non-aeronautical revenue. The benefit of such non aeronautical revenue should be passed on to consumers/passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be taken into account by the AERA.
11.	16.	Aeronautical Tariff	(i) Overall Tariff AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned under Annex – A, which is likely to reduce the ARR requirements of the airport operator. This will further ensure the lowering of tariff including UDF, which will be beneficial to passengers and airlines. (ii) User Development Fee Collection Charges - The Consultation Papers state *"To be eligible to claim collection charges, the airlines should have no overdue on any account with AAI."* IndiGo humbly submits that since collection charges are primarily for rendering of service of collection of UDF as part of ticket, and does not have any correlation with payment of utilities/rentals to the airport operators, it should be treated on a stand-alone basis and not held back on account of any other overdues in favour of the airport operator. AAI will appreciate, there are certain instances wherein invoices for utilities/rentals etc. are disputed between the parties. In such cases, airlines should be not be penalised in delayed recovery/disqualification of 'Collection Charges' when the airlines have deposited the UDF amounts, with the airport operator as per due timelines.