CIAL
COCHIN INTERNATIONAL AIRPORT LIMITED

T +91 484 2610115/+91 484 3053000
F +91 484 2610012 E cial@cial.aero
www.cial.aero

CIAL-AERA Tariff Fixation/2021 (July)-01/3CP July 26, 2021

To

The Chairman,

Airports Economic Regulatory Authority of India

Administrative Complex

AERA Building Safdarjung Airport Area

New Delhi - 110 003.

Sir,

Sub : Submission of the response to stakeholder comments on Consultation Paper No. 08/2021-22 dated 15 June 2021

Kind reference is invited to the Consultation Paper No.08/2021-22 dated 15-06-2021 in the matter of determination of aeronautical tariffs for Cochin International Airport for the third control period beginning from 01-04-2021 to 31-03-2026.

At the outset, we express our sincere gratitude to the Authority for finalizing the Consultation Paper of Cochin International Airport for the third control period in a timebound manner.

As part of the stakeholder consultation process for the referenced consultation paper, we received the comments from the following stakeholders.

1	International Air Transport Association (IATA)
2	Federation of Indian Airlines (FIA)
3	Domestic Air cargo Agents Assocation of India (DACCAI)
4	Business Aircraft operators Assocation
5	Airports Authority of India
6	Mumbai International Airport Ltd
7	Association of Private Airport Operators

The response to the comments of above stakeholders are attached for kind consideration of AERA.

Yours faithfully,

S Suhas ,IAS

Managing Director

Kochi Airport P O Ernakulam 683 111, Kerala, India
Regd.Office: No 35, 4th floor, GCDA complex, Marine Drive, Kochi-31, CIN-U63033KL1994PLC007803

S no.	Stakeholder comments	CIAL's response
1.	**International Air Transport Association (IATA)** **1) Capital investments:** *"Freeze of Non-Essential Capital Investments: Given the extreme cost pressures on our industry collectively, minimizing all unnecessary costs is of utmost priority. It is necessary to reduce financial exposure by stopping all non-essential projects and in particular capacity enhancing projects in control period 3, particularly given the large-scale investment in capacity made in CP2.* *Regarding CP2 true-up, we note AERA's comments most of the projects were completed within estimated costs and about 80% have progressed well. This is positive, however does not automatically mean investments are efficient. We request AERA scrutinizes projects for their capital efficiency versus normative costs and accounts for this in its determination reference 4.4.40 Table 19. Only when projects have been deemed as efficient should they enter the RAB and not only based on their final accounts i.e. benefits delivered to program, cost, quality and benchmarked, even if these projects have come in under budget that could be attributable to scope changes rather than efficiency.* *We propose a freeze of the CAPEX portfolio across all projects pending a review of project investment files and their associated Business Cases, as these have not been re-assessed since April 2018 AUCC, including those that are under construction to ensure they are viable to proceed considering Covid-19 impacts.* *We note CIAL's comments and AERA's replies regarding partially*	i. CIAL has noted IATA's comment regarding the efficient capital expenditure based on the normative cost benchmarks set by AERA. CIAL has been extremely conscious of operational and capital expenditure cost. CIAL has completed the International Terminal project within the normative benchmarks prescribed by AERA. Capital expenditure for T3 is INR 922.5 cr. and the area of T3 is 1,46,528 sq. m. Based on the above, the per sq. m. cost of T3 is INR 62,957 which is lower than the normative cost of INR 65,000 per sq. m. CIAL takes pride that AERA has utilized the terminal building cost benchmarks of CIAL while issuing the Order No. 07/ 2016-17. ii. CIAL has adopted modular terminal expansion. Therefore, CIAL always tries to scatter the investment in the upfront and airlines community has also requested CIAL to scatter the cost. Relying on CIAL's modular expansion and airline community request, we have shifted the expansion of pier width to the third control period as a separate project. iii. In AUCC, all stakeholders have concurred and supported these capex projects and based on which CIAL has initiated the capex proposals for construction. IATA was also present in those meetings. Therefore, the comment of IATA to freeze capex projects does not have merit. Nevertheless, CIAL has responded to the specific points related to the capital expenditure projects. iv. Cargo facilities

S no.	Stakeholder comments	CIAL's response
	completed projects proposed to be carried forward to CP3 - such as additional parking bays. We request the requirement for the remaining 145 crores project is determined by the need for additional parking bays linked to traffic forecasts and recovery reflected in a Business Case. *For clarity, we request the following discipline is applied in advance of CP3 projects proceeding:* *-More detailed AUCC consultation in accordance with AERA's Consultation Protocol requiring project investment files (Business Case) with sufficient details for users to clearly understand costs, benefits, return on investment, depreciation, impact on user charges and other project dependencies. Part of this assessment should be a "do nothing" option as a basis to help consider the case for investment.* *-A re-assessment of capital cost estimates and final accounts to assess their capital efficiency and ensure users receive best value in any investments, benchmarked against AERA's normative costs.* *-Any pre-funding / charging for assets under construction should be immediately stopped. Alternatively, they can be redirected to cover any shortfall and maintain or lower other fees..* *CAPEX for CP3:* *A)Cargo Facilities* *Regarding Capex proposals we note the construction of import warehouse and mechanisation of the existing warehouse are well under way. Regarding the modification of the existing warehouse we would like to review the Business Case to justify the investment, noting the following points:* *-What will be the total capacity of CIAL's cargo facilities on completion*	a. Regarding IATA's comment on the cargo capacity after the import warehouse construction and the modification of the export warehouse, CIAL submits that the handling capacity of exports is estimated to increase to 150,000 MTPA to meet the forecasted cargo requirement up to 2031 b. CIAL had handled 47,727 tonnes of export cargo in FY20 before COVID-19 pandemic which is operating at the peak capacity of 50,000 tonnes. CIAL has projected that the export cargo traffic will reach 71,857 tonnes in FY26. Therefore, regarding IATA's proposal to phase the cargo capital expenditure, CIAL submits that the modification of the export warehouse is essential to handle the increase in the export cargo traffic. CIAL also submits that the PIF for cargo projects have given the details of the project options, need for the projects, proposed design capacity with the financials of the projects. v. Construction of Parking Bays Phase 2 a. CIAL had projected that the Code C aircraft will form the majority of aircrafts operational at the airport in the AUCC and the assumption is unchanged as on the current date even after factoring COVID impact. b. Following are the objectives and needs to undertake the project: i. To earmark the southern side of T-3 exclusively for wide body aircrafts. ii. To better utilise the land available in the northern side of the T-3 pier

S no.	Stakeholder comments	CIAL's response
	of these projects when compared to demand? *-A phasing strategy could spread costs for modification of the existing warehouse (35.94) across CP3and beyond, rather than construct capacity to 2031 in CP3. Has this been considered by CIAL? While we do not have the minutes of the AUCC meeting in April 2018 to present plans to the airlines, it is unlikely that a Business Case with robust financial data and qualitative explanations were reviewed in detail.* *B)Construction of Parking Bays Phase II and Development of Northern side of T3 Pier* *The impact of Covid following the AUCC meeting held in April 2018 requires a review of the project investment files and Business case to justify these investments now, in advance of them being included in the CP3 determination. The traffic forecasts mix of aircraft types and airport planning assumptions should also be validated with the airline community.* *It is concerning to read statements that are inaccurate from an airport planning perspective, resulting in the need for a review of these investments - as set-out here:* *Construction of Parking Bays Phase 2:* *•PIF requires reassessment – not the case that contact gates deliver faster turnaround especially for Code C aircraft. Many airlines would disagree with a walk in walk out process.* *What is the overall number of stands required across the airport, terminal and by type considering post-Covid traffic forecasts / design day schedule?* *•What level % of pier service and pax experience has been agreed with*	iii. To enhance the aesthetics in the northern side of T-3 pier. iv. To develop the balance land available in eastern side and northern side of pier for creating remote parking bays. v. To meet the enhanced demand for night parking facilities in CIAL consequent to the induction of new flights by domestic carriers into the Indian Sky. vi. The metro airports are constrained in parking spaces, spillover of which is expected in tier II cities. Hence adequate facility to be constructed well in advance. c. Regarding IATA's comment on the cost of the project, CIAL submits that the selection of the contractor will be as per CIAL's procurement policy of identifying contractors simply on basis of competitive bidding process to ensure efficiency. d. In the post COVID times, the construction cost have started increasing due to unprecedented increase in the value of materials such as steel and cement. Cement prices have increased from INR 350 per bag to INR 460 per bag post COVID and similarly for the other materials. So, it is a wrong notion that inflation has come down in the post COVID scenario which will lower capital expenditure. vi. Development of T3 pier a. CIAL submits that the T3 pier expansion has been approved in the AUCC held in April, 2018 and therefore, the reference is given to ADRM 10^{th} edition. b. The proposed design of a project is subject to land availability, size/ measurement of the pier, capacity requirements, utility of the area, cost, etc. and not based on

S no.	Stakeholder comments	CIAL's response
	the airline community to determine the number of contact stands required within the overall stands count? This determines if contact gates are needed. *•Capex costs - base cost in addition to inflation should be reviewed and benchmarked versus the market for cost efficiency purposes. The construction market has potential for greater competition during current times.* *Development of Northern side of T3 Pier:* *•Reference is made to ADRM 7 and ADRM 10th edition as the latest version, which is not correct. The latest version is 11th Edition and provides updated guidance that may make a material difference (IATA can advise as required on latest best practices while noting all airports are different).* *•There is a need to be convinced that width of the pier needs to be extended from 35m to 55m to accommodate peak hour demand – 35m width for operational purposes should be more than sufficient. Where is the bottleneck and why? Is this just the entrance or the pier itself? What planning and operational assumptions have been made regarding sub-systems, seating arrangements and integration with retail areas?* *Further analysis is required before these projects are approved to test the need for investment now, consider Covid impacts and user impacts / costs.* *CISF quarters* *We agree with the Authority's proposals until the case is proven for investment.* *D)IT Requirements*	an agreement with airlines on level of service. CIAL will ensure that the level of service as stipulated by regulatory agencies, government and contractual obligations are tied-in in this investment. This has been the approach in all the airports. c. With regards to IATA's comment on the operational assumptions, please find below the details of the area utilization from the PIF:

	Area under modification	**Additional Area**	**Utilization**
1	10.65m level Pier	7580sqm	Passenger seating, boarding areas in security hold and retail shops
2	5.55mlevel Pier	4380sqm	Services, aerobridge connections, GSE offices
3	0.15m level Pier	150sqm	Stairs
4	10.65m level North side terrace	3187sqm	Relocated security frisking area
5	10.65m level East Side Expansion	2413sqm	Relocated Duty free Area

<table>
<tr><th>S no.</th><th>Stakeholder comments</th><th>CIAL’s response</th></tr>
<tr><td></td><td>

There are a broad range of projects with basic scope details - from efficiency to security to regulatory. However little information is available regarding the return on investment or PIF. We request these details are shared for review and re-assessment before being considered for inclusion.

E)Fire and Safety Measures

Fire Tenders: We agree with the Authority’s assessment of Fire Tenders to adjust the price and account for efficiency.

F)Construction of parking bays 37 to 40, extension of taxiway J up to H, construction of taxiway K and taxiway west of A to isolation parking bay: We agree with the Authority to consider this project in CP4 subject to are-assessment of the PIF and business case.

G)PCA and GPU: We request an overview of the PIF and Business Case. While in principle these are positive green investment, an understanding of the investment case is welcome taking users needs into account. We request the total costs including power supply are accounted for in the PIF.

H)Other major capital expenditures

We agree with the Authority’s assessment following it’s normative costs benchmarking exercise.

In summary, we request additional PIF details to assess the return on investment for users funding investments per our comments. We do not have the assurance at this point that all projects are justified, requiring further dialogue and consultation with the airline community.

We also reiterate that projects shared in a single session in April 2018 have not been reviewed and assessed in sufficient detail to warrant their

</td><td>
<table>
<tr><td>6</td><td>5.55m level East side Expansion</td><td>2413sqm</td><td>Services to 10.65mlvl, Immigration Area Expansion & Back offices</td></tr>
<tr><td>7</td><td>10.65m level East side Expansion</td><td>270sqm</td><td>Excess area required for final placement of Immigration & security check</td></tr>
</table>

d. The need for the T3 pier expansion is justified given that the overall capacity of the terminal will be achieved by upgrading PHP to 2775 (Arrival) and 2400 PHP in departure. Further, the enhanced area will specifically address the capacity limitations/ bottlenecks at immigration/emigration and security check points.

vii. CISF quarters – No comments

viii. IT requirements – CIAL has given the details of the IT projects in its MYTP submission. Further, CIAL will comply with the requirements of the AERA guidelines to conduct stakeholder consultation for the capital expenditure projects based on its eligibility.

ix. Fire and safety measures – No comments.

x. Construction of parking bays 37 to 40 – No comments

xi. PCA and GPU - CIAL has given the details of the PCA and

</td></tr>
</table>

S no.	Stakeholder comments	CIAL's response
	approval. We would suggest an additional AUCC meeting is called to review subsequent to detailed PIF's being shared. A clear link to specific project outcomes, benefits and service quality would be ideal. *We thank the Authority for its consideration in these matters."*	GPU projects in its MYTP submission. The AUCC meeting were conducted on April 2018 based on then prevailing traffic and business assumptions. Thereafter, due to COVID and floods, certain dynamics of operations have changed. Therefore, prior to the submission of MYTP, CIAL has again reviewed the timing and cost of these proposals and have already shifted the milestones to future periods. During the MYTP review stage, AERA has also shifted the project execution periods further to future years including to fourth control period. Therefore, adequate amount of due diligence has already been exercised to capture the necessary changes in the industry dynamics due to COVID and flood related issues. The goal post have already been changed. Request for a further review/ change through additional AUCC is unjustified as we cannot assume that COVID and flood related issues will sustain for years ahead.
2.	**2) Traffic:** *"This seems to be in alignment with our overall forecast of recovery by 2024 for international traffic. Domestic should recover faster by 2023. (Table 72). IATA broadly agrees with AERA's validation of CIAL's traffic forecast projections referenced in 5.2.18 ,Table 72, within the context that due to pandemic uncertainties, variants and related government policies there remains considerable uncertainty regarding what will actually materialise, much more so now than in pre-Covid times.* *As such and to ensure we avoid unnecessary and unwarranted investments related to these forecasts:* *Scenarios are developed including a Low, Base and High growth*	No comments.

S no.	Stakeholder comments	CIAL's response
	scenario linked to government policy (and major airlines) scenarios whilst also taking account of valid industry forecasts. *Identify clear "demand triggers" for any future investments in capacity, linked directly to existing capacity of facilities and traffic forecasts to determine when additional facilities are required. This is a well-established airport planning tool that involves overlaying infrastructure triggers on traffic scenario's to balance capacity and demand, while taking account of construction lead times, levels of service and minimising impacts to existing operations.* *As said, detailed consultation with the airline community via AUCC. All capacity enhancing project proposals for CP3 should be excluded as will not be required in CP3, or feasibly for the following period given the large-scale investments in capacity in CP2."*	
3.	**3) Operating costs:** *"Deep and sustainable cost reductions are the necessary starting point for the industry's economic recovery. Airlines have managed to dramatically reduce their operating costs by 45%, including a 39% reduction in employment costs and a 54% reduction in maintenance cost.* *Globally, most airport costs are associated with operating expenses. We have seen positive examples of cost reductions among airports so the argument that most airport costs are fixed is not correct. Some have been able to reduce their operating expenses by 30%. The majority of these savings are a result of third-party expenses, linked to traffic volume being reduced, as well as receipt of government aid in the form of wage subsidies. Operating expenses reductions in 2020 for some large European Airports in the range of -28% - 48%: AMS group -28%; AdP group -43%; AENA -20%; DAA group -47%; Fraport group -40%; CPH*	i. COVID-19 pandemic has severely affected CIAL's financials and CIAL has acted proactively by taking steps to maintain efficient O&M costs, deferment of non-essential capital expenditure, deferment of debt repayment as per RBI policy, etc. to conserve cash and survive the crisis. ii. In principle, employees should not be sacked or unpaid during these COVID times as it involves socio-economic and motivational issues. Some of the industries including airlines might have resorted to such practices but ideally the cost of such actions would have to be supported through fiscal measures of the government and not through thrusting such measures on other stakeholders in the industry. iii. CIAL is committed to the operational efficiency at the airport and has undertaken all possible steps which is

S no.	Stakeholder comments	CIAL's response
	-43%; VIE -48%; ZRH group -35%; and Malaysia Airports -36.3%. *6.3.3: We also noted that despite the much lower traffic during the pandemic, CIAL has maintained its cost level at pre-COVID level. With staff costs representing a major element of an airport's cost base (34% according to ACI), additional sustainable cost reduction measures are required moving forward. This may include elements linked to outsourcing or re-evaluation of function as demonstrated by some airports restructuring programs.* *Ensuring operating costs are efficiently incurred (and in line with the current levels of traffic).* *Airport infrastructure also needs to be re-thought and optimized after this crisis as well as the deferral or cancellation of unwarranted investments to increase capacity, until demand returns. A lack of focus on efficiency over the past several years has led to airports that are not fit for purpose, costly and larger than they need to be. Instead, airports need to double down and focus on maximizing the capacity of their existing infrastructure.* *We would query on how much OPEX has been adjusted on account of the downturn? Greater scrutiny of contracted services from suppliers e.g. CUTE operating expenses which is being assumed to escalate 10% annually. Given the challenges brought by the COVID-19 crisis, it is imperative that CIAL re-negotiates the best deal and seek for lower costs from its suppliers (e.g. the contract with Glidepath valid up to FY2026).* *IATA would expect CIAL to rationalize its expenses (including staffing level) to correspond to its operation in degraded capacity mode during the pandemic and the subsequent recovery period. There is a need for airport to optimize its operation and reduce costs (without compromising*	reflected in reduced costs of FY21. Steps include: a. Freeze on new hiring b. Nil annual increments in salaries, non-release of DA and medical allowances of FY21 was resorted. c. Reduction in utilities cost by 29% in FY21 d. Reduction in housekeeping by 24% in FY21 and city-side security costs in FY21 e. Reduction in consumption of stores, spares and consumables by 41% in FY21 f. Staff relocation have been done for efficient operations g. Renegotiated all annual maintenance contracts h. Suspended all special repair and maintenance works in FY21 i. Very minimal business travel j. No non-essential consultancy services availed in FY21 iv. CIAL would highlight that it has forecasted the operating costs for the third control period based on conservative growth rates which accounts for the factor of operational efficiency. For e.g., CIAL has considered a growth rate in salaries of 7% each year for the third control period which does not account for the pay revision undertaken once every 5 years. CIAL has also linked the utilities cost to the recovery in traffic forecast for the third control period. The existing cost of debt of CIAL is 7.8%, which is among the lowest in the airport operators. CIAL has been able to lower

S no.	Stakeholder comments	CIAL's response
	safety) in light of the crisis. A year-to-year projected increase is simply not justifiable under current environment. IATA is keen to learn more about any cost optimization measures by CIAL in response to the pandemic as practiced by other major airport operators in the region and the reduction in OPEX. AERA should then determine a level of efficient OPEX that is aligned with the current level of traffic. A number of airports around the world have been taking measures to minimize costs and CIAL should be no exception. *7.2.2 O&M expense per pax comparison with comparable airports such as Goa Airport which has a similar traffic level (9.75m vs 8.32m) shows a significant difference (INR169 vs INR46). It was noted in the consultation paper that when a similar comparison is done based on terminal area, the employee expense per sqm of terminal area is higher for CIAL only when compared with Goa Airport but is lower when compared to other airports in Table 18.* *7.2.6.2 "On overall basis, CIAL airport is seen to have a lowest O&M expenses per sqm of terminal area when compared with remaining airports"* *However, this could also reflect overprovision which resulted in large terminal area, low passenger numbers and high O&M costs per pax or ATM overall.* *7.4.2. "However, due to the variability in factors between different airports, regulation of expenses based on external benchmarking does not seem appropriate."* *This could be true to a degree but still is useful to trigger reviews of areas of concern and opportunity for improvement. IATA recommends that a baseline based on past expenses levels is set and an expectation of*	its cost of debt through its prudent cost management and its established record of creditworthiness. Airport users have benefitted from the lower cost of debt at CIAL. v. With regards to the repair and maintenance costs, CIAL would highlight that these are governed through the long-term maintenance contracts with the service providers. Since, the contractual costs are driven by market forces and the negotiation power of CIAL is limited. CIAL has still undertaken the negotiation with for all AMC contracts. Accordingly, the expenses are incurred by CIAL. To clarify, the growth rate for Glidepath contract is 5%. vi. The difference in the O&M cost per pax and employee cost per sq. m. between Goa Airport and Cochin Airport is on account of the fact that Goa Airport is a civil enclave. AAI only operates the landside at Goa Airport while the airside which includes the runway, taxiway and apron among other things is operated by the Indian Air Force. The total operational expenditure and the employee cost used in the efficient O&M report includes only the cost incurred by AAI, that is, only for landside portion of the airport. Therefore, the comparison between Goa Airport and CIAL is incorrect and the results are impractical. Further, the independent study conducted by AERA also indicates that O&M of CIAL is the among the efficient one in the industry. They have extensively benchmarked the figures with various airports. By selectively comparing one naval airport and concluding that CIAL's operating cost is high, is objectionable.

S no.	Stakeholder comments	CIAL's response
	a reduction in expenses per pax (and per ATM) is built-in going forward to better reflect the efficiency opportunities resulting from increasing traffic and economies of scale. The baseline should also take into consideration the corresponding reductions in expenses expected as a result of the pandemic and lower traffic."	vii. The costs at an airport are a function of the inhouse activities undertaken by the airport operator (for e.g., CIAL is also responsible for the cargo operations which is not the case for other airports), activities outsourced to third party, area of the airport, cost levels of the city, typical layout of the airport, operational constraints on account of the weather, air space restrictions, etc. Therefore, CIAL does not agree with the piecemeal approach undertaken by IATA while comparing the costs with other airports. viii. CIAL does not agree with IATA's recommendation to set a baseline for expenses per pax/ ATM. The airport's traffic handling capacity increases in staggered manner while the growth in traffic happens on a long-term which can be approximated to a linear growth for simplicity. During the initial period after the capacity enhancement, the expenses per pax are expected to rise as the traffic growth will take time to reach the airport capacity. Once the airport's traffic reaches the airport capacity, the expenses per pax are expected to fall as the asset is completely utilized. The increase and decrease in expenses per pax is thus cyclical and therefore, it cannot be fixed. CIAL would also argue that whether the professed methodology can be adopted in the airline industry to determine efficient opex.
4.	**4) Introduction of Aviation Security Fee (ASF) and removal of PSF(SC)** *IATA would like to have more clarity on the funding aspect for costs relating to security function and the obligation of CIAL given that a*	The determination of rate and collection of ASF is done by Ministry of Civil Aviation (MoCA). MoCA collects this fees and predominantly use it to meet the security related expenditure of the CISF deployed at airports. Now, a National Aviation Security Fee Trust has been constituted by MoCA and all

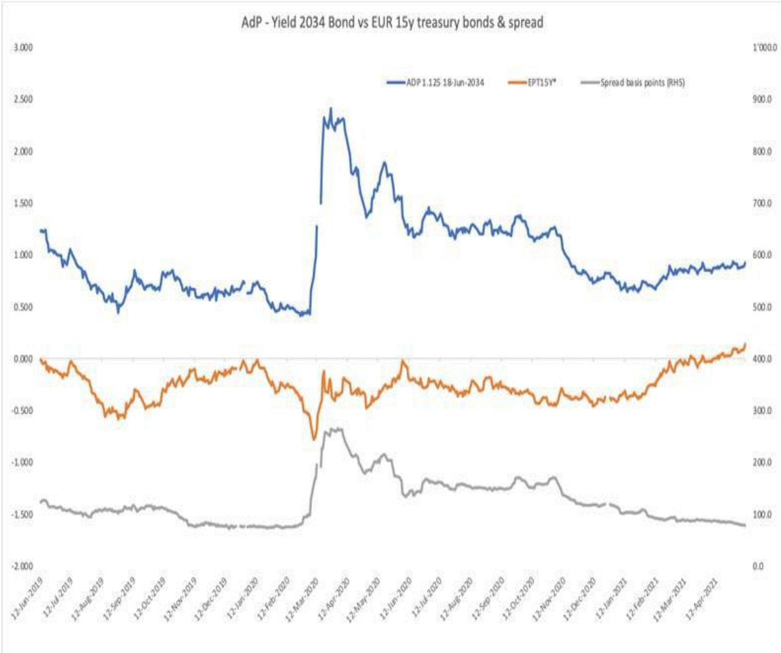
S no.	Stakeholder comments	CIAL's response
	separate charge is now collected through the Aviation Security Fee (ASF)) from passengers following the removal of the PSF(SC), administered by the central authority. We also noted the significant increase in the ASF rates effective July 2019 (international passengers from USD3.25 to USD4.84 or 49% and domestic passengers INR130 to INR150 or 15.4% plus GST) and again from 1 September 2020. These two rounds of increases represent a significant increase in the ASF rates of 60% and 23% for international passengers and domestic passengers respectively in a short span of time. Rightfully, all cost items relating to provision of security functions should now be excluded from the calculation of the targeted revenue of CIAL and provisioned for by the authority managing the ASF fund. We also noted that this approach is being applied to Raipur Airport in the 1st Control Period whereby security costs have been excluded in the determination of ARR. *6.2.26. Therefore, the Authority proposes to not consider the capital expenditure towards CISF quarters at this stage, till additional inputs as discussed above are available.* *IATA supports AERA's proposal to exclude the capital expenditure towards the CISF quarters at this stage but a firmer and more conclusive position is needed to ensure funding for security function is made available through the ASF going forward following the removal of the PSF (SC).*	collections goes to this central agency and they directly meet the security related expenditures of CISF. The only limited role that CIAL plays is to generate the invoices through the NASFT systems based on the passenger figures given by the airlines. The airlines directly remit the ASF to NASFT. The periodical rate revision is decided by MoCA based on the deficit reported in the central pooled accounts vis-à-vis the expected expenditure for meeting pan India airport CISF expenditures. The security related revenue expenditures of CISF personnel does not form part of the MYTP submissions.
5.	**5) Fair rate of return** *"The continuation of the true-*up *approach by AERA for all tariff determinations in effect means that there is No significant risk for the airport operator. The WACC needs to reflect the same. We recommend a*	CIAL strongly disagrees with IATA's proposal of related to WACC. Airport industry has external risks to air traffic due to pandemic like COVID-19, technological advances in other transportation, trade restrictions, slowdown in global economy,

S no.	Stakeholder comments	CIAL's response
	lowering of the WACC in recognition of the fact that truing up demand by AERA eliminates the risks faced by the airport operator to a significant extent."	wars, natural calamities, competition, land restrictions, regulations, etc. These risks are taken by the airports and the role of the regulator in mitigating these risks even through a true-up approach is minimal as the market forces dominates the regulator's role. IATA has not considered these risks in its comment. The very purpose of true-up approach has originated from the fact that all the variables of the airport operator are volatile and cannot be pre-determined for a pre-defined period. The true-up approach ensures that the over-recovery or shortfall of the airport operators is considered so that the tariff determination exercise is fair to all the stakeholders including the airlines.
6.	**6) Treatment of Refundable Security Deposit (RSD)** *"As with the second control period, IATA notes that CIAL has considered RSD of INR 150 crores received from the Fuel farm operator as equivalent to debt for calculation of Fair Rate of Return. IATA's position is that RSD is essentially finance at zero cost (if utilized for project) to CIAL i.e. what is received without any cost by CIAL cannot be used by CIAL to earn a return for its own benefit. Any such benefits of the 'temporary' utilization of the fund should be to the benefit of the aviation community rather than to prop up CIAL's profit. However, we understand that this issue came out from a recommendation by TDSAT and some stakeholders had taken the matter to courts for adjudication, and that the Tariff Order would be subject to the final outcome of the adjudication."*	CIAL disagrees with IATA and proposes to AERA to consider 16% return on the RSD as RSD is essentially in the form of equity to fund the airport capital expenditure.
7.	**7) Return on Land** *"IATA supports the Authority's proposal in this regard to provide return*	i. CIAL disagrees with IATA on AERA's proposal to give return on the value of land put to use by the airport operator.

S no.	Stakeholder comments	CIAL's response
	on the cost of land earmarked for future use, when the same is put to use."	ii. The proposal of AERA is impractical for following reasons: a. acquiring land in future is not viable due to high land cost b. it disincentivizes the airport operator to acquire land now for future phases iii. If AERA proposes to consider only the land for the capitalized assets, CIAL requests AERA to give return at the fair value of the land at the time when it is put to use instead of its book value. iv. CIAL has noted that the entire lease rent is allowed as passthrough (4.1.3) if it is agreed between govt. and airport operator even if the land is partially used. CIAL considers the view of AERA in this regard favouring the arrangement of state/ central government with the airport operator while penalizing airport operator for acquiring land. v. Based on the above facts, CIAL requests AERA to give the return on the entire land including the land earmarked for future aeronautical expansion.
8.	**8) Depreciation** *"The building block depreciation is derived from the asset base and thus directly linked to investments. As such, rationalizing new investments would minimize increases in depreciation. Since the rate of depreciation of an asset is related to its useful life, it is recommended to pursue the lowering of the level of depreciation by extending the life of assets (where possible). Depreciation timelines could be reviewed again to ensure alignment to global recommendations as outlined in ICAO's DOC 9562, 9161, and the IATA Airport Development Reference Manual (ADRM).*	i. CIAL disagrees with IATA's support to AERA's proposal on revision of the useful life of assets. CIAL submits that it has followed the AERA order on the useful life while also adhering to the componentization approach proposed under Ind-AS and justified its claim through technical committee report. CIAL requests AERA to approve the useful life proposed by CIAL without any revisions. ii. CIAL has noted IATA's comment on extending the useful life of the assets. CIAL would highlight that it has

S no.	Stakeholder comments	CIAL's response
	In certain cases, depreciation also covers complete write-offs of existing infrastructure, e.g., with the aim to replace. Such write-offs require a full review with regards to the immediate need in order to identify the possibilities of avoiding them and to postpone such write offs into the future. *IATA supports the approach taken by AERA to revise the useful life of assets in Table 111 but would encourage CIAL to seek opportunities to extend the life of these assets where possible in the most cost efficient manner by closely monitoring their performance and maintaining them properly."*	considered the useful life of the terminal building – earth, pile, masonry, concrete, steel and RCC works as 60 years. CIAL also considers a residual life of assets as 5% of cost thus reducing the depreciation cost for the users. CIAL has undertaken all possible steps to extend the life of assets and minimize the depreciation cost. iii. On top of it, depreciation is not a matter that can be decided by CIAL but is a matter regulated under Companies Act, accounting standards and regulatory orders. The role of CIAL in deciding the useful life or depreciation rate is minimal. However, wherever possible we have adopted an approach which ensures maximum utility of assets as indicated in para (ii) above.
9.	**9) Recovery of losses / shortfall** *Airport operators need to also adjust to the new market realities and be mindful that increased charges will hinder the industry recovery and prevent us from realizing the full potential of aviation and its overall benefits to the wider economy. Shareholders of airport have the obligations (as you would expect for any other commercial entities) to provide the necessary capital injection to sustain the business. In a competitive environment, shareholders of an efficient company can benefit from dividends, but are also expected to invest into the company during off years. The concept of revenue loss recovery does not exist, and any potential financing risk should be a subject addressed by the airport shareholder, not the consumer.* *In addition, given that airport operators have better access to more economical financing options, we would expect that this is considered*	i. CIAL submits that it has kept all the airport charges unchanged for FY22 except for the introduction of UDF which has replaced the PSF charges. UDF charges proposed by CIAL are least among the Kerala airports. ii. Further, to support the international airline stakeholders, CIAL has kept their landing charges unchanged till FY23. iii. CIAL disagrees with IATA to postpone the recovery of shortfall to the next control period. CIAL would submit that it had a shortfall in the second control period which has resulted in severe financial distress. CIAL needs to recover its operational expenses, service its debt, develop essential infrastructure and pay statutory dues during the third control period. iv. CIAL has proposed a tariff card such that the impact on the

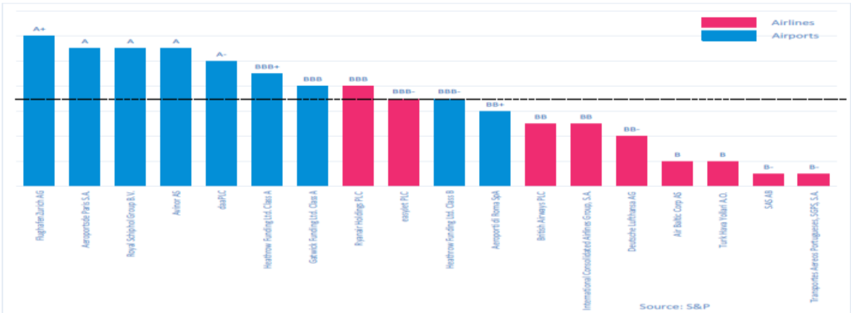
S no.	Stakeholder comments	CIAL's response
	more earnestly, to minimize the short- and medium-term cost impact to users. *According to our analysis of key airport groups, the majority managed to access private sector financing and especially regulated airports have no difficulties accessing capital markets. There are various examples of airports funding their cash shortfalls through debt provided by bank loans or bonds in the market.* *Key examples:* *•Fraport has issued a bond worth 1.15bn € at an annual yield below 2%.* *•Schiphol issued a 750m € green bond with a 2% yield.* *•Aeroporti di Roma issued a 500m € sustainability linked bond with a yield of 1.8%* *This demonstrates that airports can finance short-term losses without increasing costs to the customer. For those airports analysed, the average cost of debt actually decreased, which confirms that airports are perceived as safe investments for the market.* *This is further expressed in the yield evolution of airport bonds (e.g. the implied interest rate an investor would earn from a bond given the purchase value and the established "coupon") as shown in the graph for the example of the Aeroports de Paris (AdP) bond.*	stakeholders is minimized. CIAL is aware of the challenges faced by the stakeholders and therefore, it has postponed the recovery of the ARR towards the end of the third control period once the traffic recovers to the pre-COVID levels. v. CIAL hopes that AERA would appreciate the balance achieved through its tariff card between ARR recovery and the impact on the stakeholders. vi. If the IATA's proposal of postponing the tariffs to fourth control period is considered, the very purpose of tariff determination on a control period basis gets defeated. Ideally, an annualized exercise is what is suggested. However, due to administrative limitations and practical issues the 5-year control period cycle was established. If we further increase the years within the control period, the very existence of airports will be at stake. We are certain that if such requests are entertained, we will soon receive requests to extend the control period to 10-years or to even true-up after 10-years and so on and so forth.

<table>
<tr><th>S no.</th><th>Stakeholder comments</th><th>CIAL’s response</th></tr>
<tr><td></td><td>


”

While some minor adjustments were made in airport credit ratings, airports are clearly still perceived as safe investments.

We would urge AERA to consider the merit of postponing the recovery of losses or shortfall to the 4th Control Period – similar to the decision taken for the 1st Control Period (4/2020-3/2025) of Tiruchirappalli International Airport (TRZ) in December 2020. Alternatively, spreading it over multiple control periods will also help to minimize the impact on users and aid the recovery of traffic. It is essential that charges are maintained at current level in the next 2-3 years if there is no scope for reductions in the 3rd Control Period.
</td><td></td></tr>
</table>

S no.	Stakeholder comments	CIAL's response
		
10.	**10) UDF Introduction by CIAL** We understand that CIAL has requested that a UDF (with annual increases) be introduced for domestic and international passengers respectively in a process parallel to the 3rd Control Period charges setting process. In addition, CIAL is requesting that the PSF (FC) is eliminated by merging it with the UDF. This approach to introduce the UDF and remove the PSF (FC) is acceptable but IATA would like to request that the gap between international and domestic rates be minimized where possible from the very start; or to be done in phases over the control period while still delivering the targeted revenue for CIAL.	i. CIAL does not agree with the proposal of IATA to minimize the difference between UDF for domestic and international passengers. ii. The difference in charges between international and domestic passengers is a general practice worldwide including the Indian airports on account of different services availed by them. iii. The services rendered by the airport operator to the international passengers are much more than domestic in the form of security, immigration, customs, extended holding times in terminal resulting in larger capacity creation, etc. Perhaps, this may be the reason why the airlines also levies more per km charges from international passengers than that of domestic passengers.
11.	**11) Discriminatory Tariffs Structure for CP3** IATA notes that the Telecom Disputes Settlement and Appellate Tribunal (TDSAT)'s Order No 18/2018-19 issued on 16th December 2020 found that "The practice approved by AERA permitting different treatment to	i. CIAL does not agree with IATA's recommendation of applying equal tariffs for domestic and international flights. ii. The Hon'ble TDSAT judgement dated 16 December 2020 has adjudged regarding the variable tariff plan proposed by

S no.	Stakeholder comments	CIAL's response
	Airlines in respect of landing and taking-off charges and parking charges is discriminatory and impermissible." Given that there is now a clear direction to address this discriminatory practice, IATA respectfully request AERA to equalize these aeronautical charges for international and domestic flights.	BIAL for the airlines and it was not related to the difference in tariffs between international and domestic flights. iii. Since all the international carriers are charged the same tariff, the charges cannot be termed as discriminatory. Classification of domestic and international flights cannot be termed as discriminatory. If this analogy is extended to the entire sector, the airline ticket prices cannot be varying for even different passengers as it is discriminatory.
12.	**12) Service level framework** IATA has highlighted in our past submissions on the need for improvements to the existing framework that is predominantly driven by ASQ standards, which is qualitative and perception based; while completely overlooking quantitative, objective measurement of CIAL's actual performance and the customer (airline users) – supplier relationship. IATA provides industry guidance regarding Airport Service Level Agreements broadly used across best practice airports, and we strongly encourage adoption of our policy in users and consumers interests. This will also assist AERA in conducting a more objective assessment of the service level performance of the airport operator.	As per the Indian statute, the regulator is empowered to monitor the service standards of major airports and accordingly, they have issued the qualitative and quantitative standards which cannot be substituted with a recommendatory industry standards of international organization. Further, even if an industry standard is adopted it may be based on the standards developed by the industry concern, that is, in the instance case, the airport industry, not a standard developed by a stakeholder of that industry. The ASQ standards are proposed by ACI which has been used for ascertaining the qualitative standards.
	FIA comments	
13.	**1) True Up of Depreciation** *"FIA submits that AERA should consider the useful life of Building including Terminal Building as sixty (60) years as envisaged in AERA Order No. 35/2017-18 read with Schedule II of Companies Act 2013, as applicable, and revise the amount of depreciation accordingly.*	CIAL disagrees with FIA's comment to consider the useful life of components of the Terminal Building as 60 years as it is not in line with the Ind-AS as well as the AERA guidelines. CIAL proposes to AERA to consider the useful life proposed by CIAL for determining the depreciation.

S no.	Stakeholder comments	CIAL's response
	FIA submits that 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. FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA."	The Indian authorities have set the applicable rates for Indian airports through Companies Act, accounting standards and regulatory orders.
14.	**2) True up of Fair Rate of Return** *"FIA submits that as the matter on 'Fair Rate of Return' on Refundable Security Deposit (RSD) is presently sub-judice, AERA should not provide any return on RSD."*	CIAL disagrees with FIA's comment on the return on RSD. TDSAT order has adjudged that some return on the RSD needs to be given. Therefore, AERA has correctly allowed some return on the RSD. CIAL proposes to AERA to consider 16% return as return on RSD.
15.	**3) True up of Non - Aeronautical Revenue** *"FIA requests AERA to conduct an independent expert study on the Non-Aeronautical Revenues, in accordance with the Airports Economic Regulatory Authority of India Act, 2008, as amended (AERA Act).* *Without prejudice to the above, AERA to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires."*	CIAL strongly disagrees with FIA's comment on the study of the non-aeronautical revenues. CIAL submits to AERA that the AERA Act regulates only the aeronautical business while the non-aeronautical business is unregulated. Therefore, AERA does not have jurisdiction to undertake study on the non-aeronautical revenues.
16.	**4) True up of Aeronautical Revenue** *"AERA to kindly clarify the actual method of true up applied for aeronautical revenue, in view of the following para: "..The Authority had also ordered to true up revenue on actuals while determining tariff for the 3rd Control Period. However, CIAL has considered a higher rate (37%) for projection of landing charge for FY 21."*	The 37% hike in landing charges is on account of the compensation for the abolishment of fuel throughput charges based on the continued request from the airline community. This has benefitted them to avail input tax credit and their overall cost could be reduced. As the fuel throughput charges remain abolished the base rate of landing charges also remain at higher levels because it is a substituted charge intended to extend the additional benefit to airlines.

S no.	Stakeholder comments	CIAL's response
17.	**5) Traffic** *"While FIA appreciates that AERA has considered industry inputs/reports on traffic from agencies like IATA and ICAO, FIA requests AERA to conduct an independent expert study for traffic assessment, in accordance with the AERA Act."*	No comments
18.	**6) Analysis of RAB & Capital Expenditure** *"FIA submits that all only essential capital expenditures (from a safety compliance perspective) should be approved by AERA for the Third Control Period and the non-essential capital expenditures should be deferred to the next control period.* *Further, in case CIAL wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put for use by airlines.* *Without prejudice to the above, AERA should not permit any deviations of costs from the 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)."*	CIAL submits that its costs for Terminal 3 are within the normative benchmarks approved by the Authority. CIAL assures AERA and the stakeholders that it has proposed only the essential capital expenditure for the third control period. CIAL disagrees with FIA's comment on not considering the capital expenditure till the project is completed. CIAL submits that such proposal is against the AERA guidelines. The ARR proposed by AERA is for a period of 5 years to ensure stability in tariffs during a control period. Therefore, the forecast of the capital expenditure is mandatory which needs to be considered while determining the ARR for the control period.
19.	**7) Depreciation** *"(i) Terminal Building* *FIA 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. FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered 60 years by AERA and therefore AERA should lay*	CIAL disagrees with FIA on the residential building useful life. As per the AERA's Order no. 35/ 2017-18, the residential building can have the useful life of 30 years or 60 years.

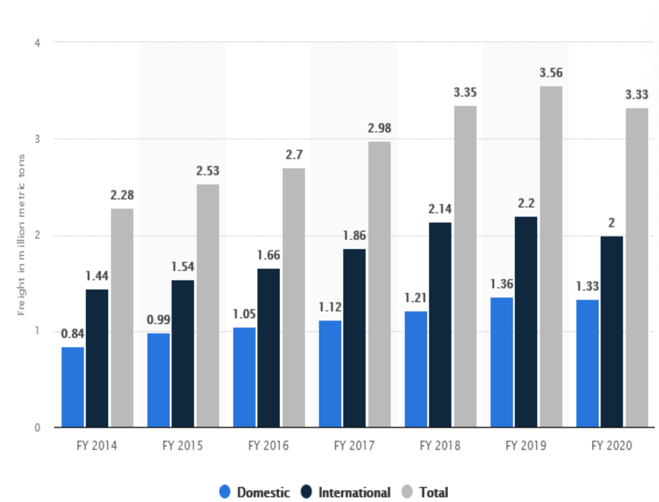
S no.	Stakeholder comments	CIAL's response
	down 60 years for the Terminal Building as is practiced by some of the developed aviation ecosystem. *(ii) Residential Building* *FIA submits that as per Sl. No. 8 of Annexure - I of the AERA's Order 35/2017-18 "In the matter of determination of useful life 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.* *FIA 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.* *FIA submits that residential buildings should be depreciated over a period of 60 years and not 30 years.* *In view of (i) and (ii) above, FIA 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."*	
20.	**8) Fair Rate of Return** *"FIA appreciate AERA has considered a lower FRoR of 11.63 % for the Third Control Period and has conducted an independent study in relation to cost of equity.* *However, it may be noted that such fixed/ assured return favors the*	CIAL strongly disagrees with FIA's comment on the fair rate of return. CIAL submits that AERA has determined the fair rate of return as per the AERA guidelines and after undertaking a detailed study on fair rate of return. FIA's comment on no incentive for increase in efficiency is flawed as the reduction in cost increases the return on the unregulated non-aeronautical

S no.	Stakeholder comments	CIAL's response
	Airport Operators, and creates an imbalance against the airline, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs. *Further, due to such fixed / assured returns, service providers like CIAL have no incentive to look for the productivity improvement or ways of increasing efficiencies or take steps to drastically reduce costs as they are fully covered for all the costs plus their returns. Such a scenario may result in inefficiencies and higher costs, which are ultimately borne by the airlines. In the present scenario any assured return on investment (i.e., return on investment after the income tax), in excess of three (3) %, i.e., being at par with bank fixed deposits, will be onerous for the airlines.* *In view of the above, AERA is requested to immediately review FRoR by capping the returns to a maximum of three (3)%."*	business under the hybrid till model. The proposed 3% FRoR is lesser than the 30 days bank FD rate which is illogical and lacks substance.
21.	**9) Cost of land** *"FIA recommends that no returns may be provided for investment in land by CIAL in view of the fact that Land value does not depreciate."*	CIAL strongly disagrees with FIA's comment on the return on land. CIAL submits that FIA's comment is against the Order no. 42/2018-19 dated 5 March 2019 of AERA on the return on land cost which gave the methodology for determination of return on land.
22.	**10) Operating Expenses** *"We are not aware whether CIAL has taken cost cutting measures including renegotiations of all the cost items, on its profit and loss account. It may be noted that cost incurred by CIAL impacts airlines, as such cost is passed through or borne by the airlines by way of aeronautical tariffs. AERA may advise CIAL to rationalize/re-negotiate all the cost/expenditure items or heads including 'Employee expenses', as deemed fit. Further, no escalations should be permitted under these items or heads."*	CIAL has undertaken cost reductions as can be seen from the actual operational expenditure of FY21. CIAL disagrees with FIA's comment on no escalations for operational expenditure. CIAL's operational cost are governed by the market forces and external factors such as growth in the economy. CIAL has proposed conservative growth rates for its operational cost factoring in the proposed operational efficiency. (detailed response to operating expenses is also been furnished against IATA's response in this regard)

S no.	Stakeholder comments	CIAL's response
23.	**11) Non-Aeronautical Revenue** *"FIA submits AERA to conduct an independent study on the Non-Aeronautical Revenues, in accordance with AERA Act.* *Without prejudice to the above, FIA submits that:* *1. Increase in non-aeronautical revenue is a function of passenger traffic growth, inflationary increase and real increase/escalations in contract rates. AERA to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires; and* *2. 'Royalty' is in the nature of market access fee, charged by the services providers under various headings. These charges are passed on to the airlines by the service providers. The rates of royalty at some of the airports, including CIAL are as high as forty six (46)%. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc.* *In view of the above, we urge AERA to abolish such royalty which may be included in any of the cost items."*	CIAL reiterates that it disagrees with FIA on study on the non-aeronautical revenues as AERA has no jurisdiction under AERA Act to conduct study on the unregulated non-aeronautical business. Regarding FIA's comment on royalty, CIAL would highlight that the revenue share to CIAL from ground handling is considered as aeronautical revenues by AERA and thus cross-subsidizes the other aeronautical charges at the airport. It is thus part of the airport charges to recover the ARR. In case some charges are reduced, the loss of revenue will have to be recovered through an increase in other charges. For e.g., when the fuel throughput charges were abolished, the landing charges were increased to compensate the loss of revenues.
24.	**12) Methodology for Tariff Determination – Hybrid Till Vs. Single Till** *"FIA submits that as per para 3.1.2 of the Consultation Paper, it is stated that the AERA shall determine tariffs for CoK using the Hybrid Till model. It is to be noted that FIA has from time to time advocated the application of a Single Till model across the airports in India. FIA submits that AERA should adopt Single Till basis the following legal framework being:*	CIAL disagrees with FIA on the methodology for tariff determination. AERA has approved the shared till mechanism in its Order no. 14/ 2016-17 dated 23 Jan 2017 based on the National Civil Aviation Policy, 2016.

S no.	Stakeholder comments	CIAL's response
	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 AERA 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.* *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."*	
25.	**13) Aeronautical Tariff /Tariff Card** *"(i) Overall Tariff*	CIAL disagrees with FIA on the collection charges and proposes the eligibility for claiming the collection charges.

S no.	Stakeholder comments	CIAL's response
	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 CIAL. This will further ensure the lowering of tariff, which will be beneficial to passengers and airlines. *(ii) User Development Fee* *(a) FIA submits that exemptions from levy of UDF should be in line with the directions/guidelines given by Ministry of Civil Aviation and Directorate General of Civil Aviation.* *(b) Collection Charges - The Consultation Papers state "To be eligible to claim collection charges, the airlines should have no overdue on any account with CIAL."* *FIA 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."*	There is a tendency that utility and rental charges were kept pending and continue to claim collection charges on UDF. CIAL intends only to discourage this tendency.
	BAOA's comments	
26.	1) Since AERA is undertaking independent airport specific study on aeronautical assets and the associate charges, it is requested that aeronautical assets for each square foot area, and the applicable aeronautical charges for its by aircraft operators, be unambiguously stated in every AERA order. 2) As a 'follow up' of the above point, 'housing charges', that affect the small aircraft industry the most, be well defined in terms of specific aeronautical assets available for the purpose on the airport. In the absence of each area specific charges, the possibility of airport operators interpreting the applicability of such charges in their own	No comments

S no.	Stakeholder comments	CIAL's response
	way, and to own advantage, has been taking place. 3) In line with GH policy being followed by AAI, the royalty on GH charges be restricted to 15% or the permissible FROR on each public airport. Further, due to greater attention now required to be given to GH services, being important from safety/security point of view, at public airports, these charges should be decided on 'cost-plus' basis and, not by 'soft touch approach', as has been happening hitherto.	
	DACAAI comments	
27.	Competition from Road transport:	With the development of express highways connecting cities and removal of check posts at state borders due to introduction of GST it is obvious that freight movement through road has become smoother. But despite the increased freight movements through any other mode, air cargo always finds its own share which is proven from the statistics. Chart showing the growth of air cargo sector in India is shown below:  *In*

S no.	Stakeholder comments	CIAL's response
		million metric tons Only the shippers who need faster and safer transportation of the goods depends on air cargo mode and such category of cargo will always come to air cargo since that advantages cannot be attained if transported through any other mode. Cost of air mode will certainly be higher than other mode due to the heavy investment required for infrastructure, security arrangements, skilled manpower cost etc. but the cost difference is vindicated by its advantages.
28.	Different cargo operators, different charges	Though the services provided are similar in nature, handling charges are decided based on the capital investment like manpower, infrastructure, equipment, warehouse facilities also. It is not logical to have a uniform handling charge at all CTOs since the operating cost will vary depending upon the location. As far as CIAL is concerned handling charge is reasonably low compared to other private airports.
29.	Presentation to HMCA highlighting challenges	Decisions on regulatory charges are to be taken by AERA. Regarding lack of facilities and infrastructure no complaints were raised about CIAL. CIAL always ensure to provide the best facilities to all our stakeholders and necessary modifications are made periodically in order to meet the future space requirements.
30.	Promoting movement of perishables	At CIAL, volume of perishables handled through domestic is very low and the handling charges are same as of general cargo. Considering the perishable nature of goods, we always give priority and ensure speedy delivery to the consignees.
31.	Freeze terminal charge increase for next 2021-22, 2022-23 & 2023:	As you are aware, unlike in some other CTOs where there is

S no.	Stakeholder comments	CIAL's response
	AERA may consider that in view of recovery in aviation sector which is likely only in 2023-24, there should be no increase in terminal charges at the Cargo Terminals during this period when the industry can consolidate and bring back the lost tonnage.	increase in charges every year, handling charges at CIAL was fixed since 2017 has not changed. Our administration and maintenance cost have increased considerably and we have invested for expansion of infrastructural facilities also. The proposed charges are also for the next 5 years which is also fixed. The proposed increase in the charges are only nominal and still much below compared to the actual expenses.
32.	Clubbing of multiple heads of terminal charges into One Single Per Kg "Terminal Handling Charge": There should be a single component of terminal charge instead of multiple heads which will facilitate standardized and easy system calculation.	Different charges are charged under different heads in most of the CTOs. This is necessary for management of accounts since the charges are imposed to different agencies. For e.g. at CIAL, TSP is charged to shipper / consignee whereas X Ray and stuffing charges are charged to the airline. Stuffing and de-stuffing charges are collected for the cost of manpower involved for loading and unloading of cargo from the bulk containers or ULDs. Whether it is a ULD or a bulk container the labour involved is almost same, in fact more for bulk containers, as the no. of units to be handled is more. Moreover, wide-bodied flights are also operating in domestic sector, like in CIAL, for which stuffing, de-stuffing charges are collected at the same rates. Though some consignments are delivered immediately most of the shipments, especially arriving in night time, are kept in the warehouse. And hence we have to maintain the warehouse including provisions for storage of valuable, DG, radioactive materials etc. Demurrage charge will be applicable only after 24 hours and the cargo can be kept in the warehouse only paying the TSP charges. TSP is not only charged for storage, but involves the processing charge, as the shipment has to be

S no.	Stakeholder comments	CIAL's response
		counted and segregated when taken in and out of the warehouse. Based on above, charging under multiple heads is a necessity for financial accounting as different charges are imposed to different agencies.
33.	Uniformity of Charges for same service: Sir, You will observe Sir, that every cargo terminal is charging a different amount for the same service. DACAAI feels that comparable Cargo Terminal Operators must have a similar single per kg terminal charge which will allow more domestic air cargo volumes, better planning of loads and promoting of domestic air cargo. The reason for DACAAI suggestion is as a principle that the service and process of domestic air cargo handling is similar at every cargo terminal, therefore, there has to be a similarity and reasonability and affordability in charges to support increasing volumes of cargo.	As you are aware operating cost of CTOs will be totally different based on its location, infrastructural facilities and administrative expenses.
34.	CTOs to offer 50% flat discount in Terminal Charge to boost movement of agri-horti produce: With a view to promote movement of fruit and vegetables and other agri-horti produce aqua, fish culture, shrimps etc the CTOs must charge 50% of normal terminal charges on the agri-horti produce and perishables. By offering this 50% concession in terminal charges the fruit and vegetable and perishables volumes can be quadrupled benefitting all stakeholders like airlines, airports and service providers.	Movement of perishables through domestic at CIAL is very less. Charges are same as of general cargo though we are giving priority for handling perishables. Moreover, considering the total cost, percentage of terminal charges is very nominal and hence the impact on the total cost by a reduction in the terminal charges will be negligible. At international cargo terminal we have provided temperature and humidity controlled facility for perishable cargo at no extra cost.
35.	**MIAL's comments**	CIAL concurs with MIAL's comments.
36.	**AAI's comments**	CIAL concurs with AAI's comments.

It is requested that the Authority may arrive into the final Aggregate Revenue Requirement of the third control period only after taking into consideration our above submission to the stakeholder's comments.

Soliciting the continued support and co-operation of the Authority,

Thanking you,

Yours faithfully,

Suhas S, IAS

Managing Director