



चंडीगढ़ इंटरनेशनल एयरपोर्ट लिमिटेड Chandigarh International Airport Limited

CHIAL/MYTP/2021-26/

Date: 13/07/2021

To,

Chairman,
Airports Economic Regulatory Authority of India,
AERA Building
Administrative Complex,
Safdarjung Airport,
New Delhi - 110003

Subject: - Comments on Consultation Papers No. 09/2021-22

Dear Sir,

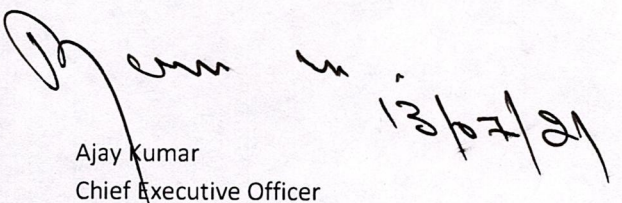
This is with reference to Airport Economic Regulatory Authority of India (AERA) Consultation Papers No. 09/2021-22, issued on 18th of June, 2021 in the matter of tariff determination of Chandigarh International Airport Limited (CHIAL) for Second Control Period.

Please find enclosed the comprehensive comments of CHIAL attached at Annexure -I for your kind perusal and further necessary action.

Thanking You,

Yours Sincerely,

For CHANDIGARH INTERNATIONAL AIRPORT LIMITED


Ajay Kumar
Chief Executive Officer

Encl: As below

Annexure I – Comments on CP - 10 Pages

Annexure II – AUCC Minutes - 3 Pages

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CHANDIGARH
INTERNATIONAL AIRPORT
LIMITED

CHIAL Response to Consultation Paper No. 09/2020-21 Dated 18 June 2021

Authority's Proposal for True up of First Control period

- ❖ To consider rent from space given to Aeronautical Service Providers as aeronautical in nature and accordingly, consider aeronautical revenue as detailed in Table 8 for true up of the First Control Period.(refer para no. 2.3.9)

Particulars (in Rs Lakhs)	FY17	FY18	FY19	FY20	FY21
Rent from space given to GH and Airlines	136.71	162.21	222.22	295.08	352.35

- ❖ To consider operating expenses allocation as per the ratios proposed(refer para no. 2.9.6):

Particulars	Basis of allocation
Payroll related expenditure	<p>1. Cost of employees working in Departments engaged in Aero activities has been taken as Aeronautical cost.</p> <p>2. Cost of employees working in departments engaged in Non-Aero activities has been taken as Non-aeronautical cost.</p> <p>3. Common employees' cost such as KMP, Finance and HR are segregated in the ratio of the total cost of Aero: Non-aero employees.</p>

CHIAL's Response

➤ Rent from space given to GH Operator and Airlines

It may be noted by the Authority that the Rent charged to GH Operators and Airlines is purely based on market forces of Chandigarh city and other comparable airports in the nearby region. CHIAL do not have any monopolistic powers while charging these rentals.

Further, the space requested by GH operators and Airlines is purely based on their business requirements and decisions, and they are not bound to take any space from CHIAL.

In additions, ICAO Doc 9562 Airport Economics Manual¹, clear states the definition of Revenues from Non-aeronautical sources as:

***"Revenues from non-aeronautical sources:** Any revenues received by an airport in consideration for the various commercial arrangements it makes in relation to the granting of concessions, the rental or leasing of premises and land, and free-zone operations, even though such arrangements may in fact apply to activities that may themselves be considered to be of an aeronautical character (for example, concessions granted to oil companies to supply aviation fuel and lubricants and **the rental of terminal building space or premises to aircraft operators**). Also intended to be included are the gross revenues, less any sales tax or other taxes, earned by shops or services operated by the airport itself."*

Therefore, we request the Authority to reconsider the above mentioned revenue from rental of premises as non-aeronautical services.

➤ Operating expenses allocation – Payroll related expenses:

CHIAL in its submission for 1st Control period had used the Payroll expense allocation to be based on Details of Employees submitted in Form 11 [Refer Table 26 of Order No. 17/2016-17], as 96%:4%, which after detailed analysis was approved by the Authority as 95%:5% in Para 7.7.1 of the aforementioned Order.

The Authority has proposed to revise the approach in 2nd control period.

Therefore, we request the Authority to consider the same approach proposed in the first control period, i.e., to allocated operating cost based on submission in Form 11.

¹ https://www.icao.int/sustainability/documents/doc9562_en.pdf

Authority's Proposal for Addition to RAB in Second Control period

❖ To consider additions to RAB as per Table 54(refer para no. 4.2.11).

Particulars (in Rs Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Apron	1,900.00	-	-	-	1,000.00	2,900.00
Building Terminal	236.29	-	-	-	-	236.29
Computers & I.T Hardware & Access	1,324.55	-	1,400.00	2,600.00	-	5,324.55
Electrical Installations	1,231.20	-	-	-	-	1,231.20
Furniture & Fixtures	50.00	-	-	-	-	50.00
Total	4,742.04	-	1,400.00	2,600.00	1,000.00	9,742.04

CHIAL's Response

It may be noted by the Authority that we need capex for a minimum of Rs 23,000 lakhs including 9742 lakhs considered by authority. Following major developments at the Airport are on the cards during Second Control Period for up gradation/passenger facilitation:-

- **Extension of Corridor domestic side with 4 Nos. of Aerobridge – 60 Crores:** As rightly mentioned by the AERA, there is no current need for extending the Aerobridges. In this regard it is to be mention that the Integrated Terminal Building consist of Domestic side which is of 3 Million capacity (i.e. 2/3rd) and International side which is of 1.5 Million capacity (i.e. 1/3rd). CHIAL has reached to the level of 70% of domestic side of terminal building during FY 2019-20. By FY 2024, the Aerobridges are expected to saturate on the domestic side of the airport to level of 80-85%. Hence, an extension of corridor adjoining existing terminal building will be required for the passenger movement and passenger facilitation. The said project will take around 24 months approx. for the construction of Corridor, Aerobridges and other associated work. Hence, CHIAL will take-up the project during the second half of the second control period when the building capacity saturate to 80%. Also, the construction of Aerobridges will help Passengers to avoid exposure to extreme weather conditions and would help in

reducing the inconvenience to Passengers while shifting from aircraft to buses and vice versa. Further, this will reduce the turnaround time for the airlines.

Further AUCC for the subject under mention has already been conducted and during the AUCC, stakeholders have agreed for the project. Copy of the minutes of AUCC is enclosed herewith for your kind reference please.

- **PTT phase 2 towards J Link – 40 Crores**: As rightly mentioned by the AERA, this infrastructure development is planned for FY 2023. CHIAL proposed to construct parallel taxi track towards runway 11 side near J Taxi Link, which will result in reduction of turnaround period along with reduction in fuel consumption and waiting time for landing and take-off the aircraft, consequently, resulting in cost effective airport.
- **Integrated Operational Offices – 20 Crores**: The Traffic proposed by Authority is expected to reach to level of 70-80 % of the designed capacity by 2025 therefore the administrative offices need to be re-located for the smooth passenger operation at terminal building. Thus, the requirement for integrated operational offices will be required for operational purpose/passenger facilitation purpose by FY 2025.
- **2 Nos. of Hangers – 14 Crores**: Since no facility of Hanger is available at this airport hence airlines are forced to park their aircraft for minor repair and other works at the airport where the hanger facility are available. The construction of hangers will facilitate the airlines as they will not need to move to other airports for minor repair and maintenance.

Therefore, we request the Authority to reconsider the abovementioned capex proposals.

Authority's Proposal for Return on Land

- ❖ To consider usage of land for the purpose of computing return on land as per Table 63(refer para no. 5.2.5).

Particulars (Area in Acres)	Aero	Non-Aero
Terminal Building	6.00	
Land for open areas (green, roads, etc.)	18.61	
Air side apron, taxi track, basic strip and other areas	140.00	
Flyover/road area city side	23.90	
Existing car parking area		4.80
CISF Barracks Area	4.24	
Cargo Area	4.00	
Service yard	5.00	
Total	201.75	4.80

- ❖ To consider cost of land as per Para 5.2.7

"Cost of land on which Land Return is to be provided is analysed as below.

- *As per Land Return Order No. 42/2018-19 dated 5th March 2019, in case of lands acquired in the past, the recorded value will be taken into consideration.*
- *The Authority notes that Land has been purchased and subsequently capitalized at a value of Rs. 45,318.73 Lakhs for 300.04 Acres. For the purpose of re-computation, the Authority has proposed to consider proportionate cost of 201.75 Acres which works out to Rs. 30,472.78 Lakhs. (CHIAL's submission of proportionate cost for 270.04 Acres was Rs. 40,786.90 Lakhs)."*

- ❖ The Authority proposes to consider 6.21% as FRoR as per Para 5.2.8

"Rate of return for Land is analysed as below:

- *As per Land Return Order No. 42/2018-19 dated 5th March 2019, for Land purchased by airport operating company either from private parties or from government, the compensation will be by way of equated annual instalment computed at actual cost of debt or SBI rate plus 2% whichever is lower over a period of 30 years.*
- *CHIAL's submission has considered SBI rate as of March 2021.*
- *The Authority has proposed to consider AAI's cost of debt (as submitted by them at 6.21%) to be the rate at which the return is to be provided to CHIAL."*

- ❖ The Authority proposes to consider return on land as per Table 64.

Particulars (in Rs Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Land Value	30,472.78	30,472.78	30,472.78	30,472.78	30,472.78	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value	2,263.79	2,263.79	2,263.79	2,263.79	2,263.79	11,318.93

CHIAL's Response

- The Authority has excluded the portion of land which is not developed as of today. However, we request the Authority to consider the entire land [excluding Commercial developments] as one parcel, as CHIAL had acquired land in the entire contiguous land as one parcel only. Further, CHIAL has purchased land long back in the year 2015 and return of the same has not been considered by authority in 1st control period, if defer part of the land, then it also aggravates the issue by not providing **any time value of money on the investments** in Land.
- Cost of Debt considered by the Authority, is the cost of financing for Airport Authority of India (AAI). And it is worthwhile to mention here that, AAI is an institution formed by Constitutional provisions and therefore enjoys the benefits of Sovereign Guarantee and able to get a better of rate from the financial institutions/Foreign currency loan, where their cost of financing can be as low as 2%-4%.
- AERA vide order no. 42/2018-19 dated 5th march, 2019 states that SBI rate plus 2% will be return on land for the Airport operator who has purchase the land. The act is silent incase of debt free companies. It is to mention that the authority has consider the return on land for CHIAL is just 6.21% on the basis of cost of debt of AAI and consider return on only 201 acres land against the CHIAL submission of 270 acres. On the other hand, Joint Venture airports are able to take debt on slightly higher rate and the Authority has acknowledged these rates in their recent Consultation Papers or Orders, for example:
 - Hyderabad Airport: 8.82% p.a.
 - Bangalore Airport : 7.85%
 - Kochi Airport : 7.80%
 - Delhi Airport : 9.87% [Refer: Para 5.5.8 and Table No 103, Order No. 57/2020-21]
 - Mumbai Airport : 10.3% [Refer: Para 5.6.2, Order No. 64/2020-21]
- Authority has proposed to take the return on land only on the land actually used for aeronautical purpose. It is requested to give compounding impact of cost of inflation index (CII) on cost of land from the actual date of purchase i.e from 2015. Hence, the return on cost of land for second control period may be provided on the compounded value of cost of land taking into consideration the cost of inflation index for the first control period.
- Hence, it is requested to reconsider SBI Base rate + 2% as applicable as per AERA vide order no. 42/2018-19 dated 5th march, 2019.

Authority's Proposal for Second Control period

- ❖ To consider cargo revenues estimated as part of aeronautical revenue for the purpose of Consultation Paper, in the interest of issue of CP for stakeholder comments but advises CHIAL to submit the appropriate MYTP for the Authority evaluation.

Particulars (in Rs Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Cargo Revenue as proposed by CHIAL	48.37	54.67	60.13	65.95	72.34	301.47
Cargo Revenue as proposed by AERA	161.23	182.22	200.44	219.85	241.14	1,004.89
Difference	112.86	127.55	140.31	153.90	168.84	703.42

- ❖ To consider the revenue from Extension of Watch Hours and Handling charge of Non schedule ATM as part of aeronautical revenue.

Particulars (in Rs Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Extension of Watch Hours as proposed by CHIAL	0.33	0.37	0.40	0.43	0.46	1.99
Extension of Watch Hours as proposed by AERA	-	-	-	-	-	-
Difference	0.33	0.37	0.40	0.43	0.46	1.99

Particulars (in Rs Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Handling charge of Non schedule ATM as proposed by CHIAL	13.35	14.69	16.15	17.28	18.50	79.97
Handling charge of Non schedule ATM as proposed by AERA	-	-	-	-	-	-
Difference	13.35	14.69	16.15	17.28	18.50	79.97

CHIAL's Response

- **Cargo Revenue**

It may be noted by the Authority, that the Cargo Revenue proposed by CHIAL is net off Cargo Expenses.

However, the Cargo Revenue proposed by AERA is Gross Cargo revenue, it does not consider Cargo expenses. Thus, the Authority may please consider Cargo Expenses of Rs. 703.42 lakhs as part of operating expenses as detailed below:-

Particulars (in Rs. Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	74.6	78.4	87.9	98.2	109.1	448.2
Operating expenses	17.0	17.9	21.1	22.6	24.2	102.7
Depreciation	12.1	24.2	24.2	24.2	24.2	109.1
Administrative & Other expenses	9.1	7.1	7.0	8.9	11.3	43.4
Total Cargo operating expense	112.9	127.6	140.3	153.9	168.8	703.4

The detail of line item wise expenses has already been shared along with the MYTP Updated model on 08th of June, 2021.

- **Extension of Watch Hours and Handling Charge of Non schedule ATM**

We would like to submit to the Authority that these charges are purely to discourage the operation which operates outside the routine procedure of the airport. Therefore, we request the Authority to reconsider the charges proposed by CHIAL for Extension of Watch Hours for scheduled and non scheduled airlines and Handling charges for Non schedule ATMs at the Airport.

We agree with the Authority approach to consider these charges as Aeronautical revenue and a True-up at the end of the Control period.

Revisiting the treatment of income from ground handling from aeronautical to non aeronautical:-

Ground Handling(GH) companies are giving revenue share(royalty) @21% on the billing raised by them on respective airlines. As per para no. 5.6.2 of Airport Economic Regulatory Authority of India (Terms and Conditions for determination of Tariff for Airport operators) Guidelines, 2011 with respect to Non Aeronautical Revenue it states that “ The Authority shall include all revenue **(including revenue share, royalty and dividend)** earned by the airport operators from independent service provider(s) for the service(s) provided for ground handling services relating to aircraft, passenger and cargo at a major airport; the cargo facility at major airport; and supplying fuel to the aircraft at a major airport, for calculation of overall passenger yield.

The income from ground handling is 1-2% of total income of CHIAL as mentioned below but just to correct the treatment and to be in line with the directions issued by the authority, CHIAL request to reconsider the treatment of royalty income from ground handlers as Non Aeronautical Income.

First Control Period (FY 17 – 21)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Ground Handling (GH) Charges	78.01	83.54	86.72	110.42	53.33	412.02
Total Income	3,244.45	8,209.01	9,887.44	11,282.81	7,655.98	40,279.70
% of GH of Total Income	2.40	1.02	0.88	0.98	0.70	1.02

Second Control Period (FY 22 – 26) (AERA Proposal)						
Particulars	FY22	FY23	FY24	FY25	FY26	Total
Ground Handling Charges	99	89	80	72	65	407

CHIAL'S INITIATIVES:-

- **REVIEW AND REVISION OF LAND RENT RATES**
- No Annual Escalation has been charged in Land rent rates and Office Space rates since last two years i.e. from 1st April, 2020 to 31 March, 2022.

PROMOTIONAL SCHEME

Land rent rates and Office Space rates for City side & Basement area of terminal building has been reduced by 30% w.e.f. 1st April, 2021.

NO CHARGES TO AIRLINES FOR NEWLY ADDED FACILITIES:-

- Passenger Boarding Bridges
- Inline X-ray Baggage System
- Night parking Charges for scheduled airlines

MINUTES OF THE AIRPORT USERS CONSULTATIVE COMMITTEE (AUCC) MEETING
HELD ON 23RD JANUARY, 2019

Topic	<ul style="list-style-type: none">• Proposal for construction of Southern Taxi Track• Modification of Existing Baggage Handling System (BHS) for Automatic Tag Reader (ATR) and Inline X-Ray Machine Integration and provision of OOG (out of gauge) Conveyor and X-Ray Machine for OOG Baggage's• Extension of Corridor at Departure and construction of New Terminal Building at Chandigarh International Airport• Proposal for Provision of Cat - III B ILS
Day, Date & Time	Wednesday, 23.01.2019 at 11.30 A.M.
Venue	Conference Room, New Integrated Terminal Building, CHIAL
List of Participants	Enclosed as Annexure 1

Sh. Rakesh Dembla, CFO welcomed all the participants and informed that Chandigarh International Airport Limited (CHIAL) is a MAJOR AIRPORT and is regulated by AERA (Airports Economic Regulatory Authority) and this meeting is called to discuss the major capital works planned by CHIAL for development of Chandigarh Airport in compliance to AERA Regulations.

Thereafter, Sh. Suneel Dutt, CEO presented a Power Point presentation about describing salient features of New Terminal, ASQ Survey rating, traffic growth rate etc. Stakeholders apprised that despite of Runway Closure, CHIAL has good traffic growth. It was also informed that the funding of the total estimated cost of capital works will be arranged by CHIAL by borrowing and own Internal Resources. It is also proposed that tariff is not proposed to be increased in present 1st Control Period (01.04.2016 – 31.03.2021) due to said capital works and same may be taken up with AERA in next control period for Tariff fixation.

The Capital works were explained in detail as under:

(i) PROPOSAL FOR CONSTRUCTION OF SOUTHERN TAXI TRACK

It was briefed to stakeholders that Chandigarh Airport being a civil enclave area, Runway is under the control of Indian Air Force and is being operated by them. At present, the runway occupancy time permits only 15 movements per hour in view of the operation of IL-76 as a base (including Air Force Movements). Presently, the Airport operates from 5.00 hrs to 18.00 hrs and handle 12- 15 movements per hour. CHIAL will be into 24x7 operations w.e.f 31.03.2019 and with envisaged growth in air traffic, movements are expected to cross 15 movements per hour.

Aircrafts have to backtrack at the end of Runway in absence of PTT leading to increase Runway Occupancy time & delay in Aircraft operations and congestion at Airport. If the southern link is not constructed, IAF will restrict no. of air traffic movements to 15/hour, directly effecting business of Airlines, Airport and demand for passengers which will have



submission of the baggage. It may result in security risk that after screening of baggage some suspicious item can be put in baggage before submission of baggage with airlines. To overcome this and for the convenience of passengers, it is being proposed that existing baggage handling system may be modified and inline X-ray machines be integrated.

New machines will facilitate screening of baggage in order to ensure the security and will also save the time of passengers during check-in. Further, proper screening of baggage's as per the security norms of BCAS & passenger facilitation for carrying the over sizes baggage's.

For this purpose, 02 Nos. of In-Line Baggage Screening Systems will be procured and on provision of 02 Nos. of In-Line X-BIS, existing BHS system will be made compatible and will be modified for integration. Further, for oversize baggage's, it is planned to put the OOG (OUT OF GAUGE) baggage handling system along with the OOG baggage X-ray machines for screening. There will be Security equipments supported by the trained and experience screeners.

Cost of Project – Rs. 33.78 Crores which includes

- (a) Procurement of 02 Nos. of In-Line Baggage Machines - Rs. 23.74 crores
- (b) Modification of existing BHS - Rs. 6.74 crores
- (c) Rs 2.50 crores for OOG Conveyor
- (d) Rs 0.80 crores for OOG Baggage's X-ray machines.

Projected date of Start – 15.04.2019

Times lines w.r.t completion of project - 08 months

Comments of Stakeholders

CISF representative appreciated the same and said that the security at the Airport is a major concern and this will help a lot. Further, representative of PHD Chambers of Commerce also said that the same will be convenient for passengers and will also meet International Standards.

(iii) EXTENSION OF CORRIDOR AT DEPARTURE AND CONSTRUCTION OF NEW TERMINAL BUILDING AT CHANDIGARH INTERNATIONAL AIRPORT

It was informed that with 24x7 operations at CHIAL will lead to higher number of passengers. Thus, extension of corridor at departure towards west side of the building adjoining the apron along with additional 4 nos. of Passenger Boarding Bridges which will facilitate to add around 400 no of passenger seats is being proposed. This will ease out the passenger movement in operational area where maximum flights can be operated via aerobridge. The same was explained by showing architectural drawing.



The extension of corridor will add the following facilities:-

1. 4 number of aerobridges for arrival and departure which will enhance the total number of aerobridges to 07 (seven) numbers for Domestic flights and 02 (two) numbers for International flights.
2. Addition of approx 400 seating capacity which will enhance the domestic departure capacity 575+400 i.e. 975 pax at a time.
3. The addition of two numbers of washrooms blocks each in arrival and departure corridor which will be sufficient for enhanced capacity.
4. The addition of 1 number of arrival baggage carousel will enhance the capacity to total number of 04 baggage carousel to handle 08 flights at a time.
5. Addition of horizontal travelator (moving walkway) in both arrival and departure will ease the walking distance for the passengers.
6. Extension of Corridor will facilitate the futuristic passenger movement for the next 5-6 years and will make the project viable. Thus, it is proposed that Construction of New Terminal Building may be carried at a later date. Hence, saving funds at CHIAL since estimated Cost of Project is Rs. 800 Crores.

Estimated Cost of Project – Rs. 80 Crores

Projected date of Start – 01.10.2019

Times lines w.r.t completion of project - 12 Months

Comments of Stakeholders

In this regard, Airlines like Air Asia and Indigo has express that presently only two Baggage Belts are available which are insufficient for the present operations. CEO informed that one more execution of installation of Baggage Belt is already in process and soon fourth Baggage Belt will also be added.

(iv) PROPOSAL FOR PROVISION OF CAT-IIIB ILS

Currently only CAT-I operations are available where flights can land in the visibility of 1200 mtrs or above. CAT-IIIB allows upto minimum of 50m visibility. Currently with CAT-I operations, during peak winter months flights delays, diversion & even cancellations is a common phenomenon due to reduced visibility. CAT-IIIB technology helps in safe landing of flights in condition of low visibility. Such situations arise mostly in peak foggy winter month of December and January. Benefits of CAT-IIIB are:

- Overcomes delays, diversion & cancellation of flights.
- Cost saving for Airlines, Airport & better Passenger services.
- Fuel efficiency for airlines.