

**AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

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**Minutes of the Stakeholders' Consultation Meeting held on  
30<sup>th</sup> June, 2020 at 11:00 AM**

- 1. CONSULTATION PAPER No. 05/2020-21 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR THE FIRST CONTROL PERIOD (FY. 01.04.2019 TO 31.03.2024) IN RESPECT OF AAI VARANASI AIRPORT.**
- 2. CONSULTATION PAPER No.06/2020-21 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR THE FIRST CONTROL PERIOD (FY. 01.04.2019 TO 31.03.2024) IN RESPECT OF AAI AMRITSAR AIRPORT.**

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A Stakeholders' Consultation Meeting was convened by the Authority on 30.06.2020 at 11.00 AM through Video Conferencing to elicit the views of the stakeholders on the Consultation Paper (CP) nos. 05/2020-21 dated 01.06.2020 & 06/2020-21 dated 01.06.2020 issued by the Authority to consider the Multi-Year Tariff Proposal (MYTP) for the 1<sup>st</sup> Control Period (FY.2019-20 to FY.2023-24) in respect of AAI Varanasi Airport and AAI Amritsar Airport respectively. This is the first Virtual Stakeholders' Consultation undertaken by AERA in line with Government of India guidelines on social distancing in view of the Pandemic, and, also to maintain transparency in the process as per its mandate under the AERA Act. All the Stakeholders supported the move. The list of participants is enclosed at **Annexure-I**.

2. The Director (P&S), AERA welcomed all the participants to the Meeting and requested the Chairperson, AERA to address all the Stakeholders. At the outset, Chairperson, AERA, once again welcomed all the participants to the Meeting and briefly touched upon the subject matter of both the Consultation Papers. The Chairperson also advised all the Stakeholders to submit their written comments/ views on or before 10<sup>th</sup> July, 2020.

3. The Director (P&S), AERA, invited Mr. Akash Deep, APD Varanasi to give a brief Presentation on C.P. No.05/2020-21 dated 01.06.2020.

**AAI – VARANASI AIRPORT (VNS)**

3.1 Mr. Akash Deep, APD Varanasi gave a brief presentation on the Multi Year Tariff Proposal submitted to AERA for determination of aeronautical tariff for the 1<sup>st</sup> Control Period. The Presentation covered salient features of the existing airport, historical, earlier projections in the MYT Tariff proposal for passenger traffic and ATM movements along with the revised projections of passenger traffic and ATM movements, revised date of capitalization for proposed capital expenditure during the Control Period in the light of COVID19 Pandemic. He further highlighted that certain changes are being proposed due to impact of COVID19 such as extension of waiver to commercial contracts, consideration of additional 10% operating expenses for sanitization and procurement of PPE kits etc.



4. Mr. Rao, ED (Engg.) from AAI CHQ further requested the Authority to reconsider the following issues:-

a) He submitted that the disallowed capital expenditure in respect of terminal building such as elevated road and canopy over the front road must be allowed due to proposed two storey terminal building. He further requested to allow other disallowed items relating to horticulture, Goods Lift, Artwork, BMS, Airport system, tyre killer, hydraulic bollard, road blocker, body scanner, components of PMC charges, component of Employer's part contribution of ESIC & EPF, component of CER etc.

4.1. Ms. Vidya, GM(F&A) from AAI CHQ concluded the Presentation while requesting the Authority to allow AAI to submit revised MYTP due to the COVID implication and to reconsider the following issues:-

a) She submitted that as per AAI's Accounting Policy the entire cost of terminal building shall be capitalised as on the proposed date of capitalisation, and, accordingly, requested the Authority to allow the RAB, IDC and FRoR based on the total terminal building cost.

b) She also submitted the updated normative cost of Apron considering the revised date of capitalisation along with the GSE cost.

c) She further submitted that AAI shall submit a revised MYTP with updated ARR and tariff card for the Control Period based on the revised Traffic and Capex projections.

5. After the Presentation by APD, Varanasi, Director (P&S), AERA, invited all the Stakeholders for their comments on the Consultation Paper. The following Stakeholders commented on the proposal :-

#### **5.1 Federation of Indian Airlines (FIA)**

Mr. Ujjwal Dey, the representative of FIA, stated that they will be submitting their comments on the Consultation Paper, in writing. FIA briefly touched upon the following issues.

a) FIA enquired whether AAI shall be allowed to submit their revised Traffic and Capex projections, and, if so, whether AERA will come out with a new Consultation Paper after addressing the Stakeholders' comments or not?

b) The Chairperson clarified that AERA is exploring various options and shall decide upon the same considering the Stakeholders' comments and revised submission by AAI. He further requested all the Stakeholders to submit their suggestions considering the current situation of COVID19 Pandemic as all the principles again need to be looked into.

c) Mr. Dey also pointed out that in the current scenario the airlines are badly affected and traffic may remain stagnant or even reduce in short-term to medium-term, and, therefore, requested the Authority to consider this aspect while deciding in the matter of tariff, and, allow some cool-off period before approving any tariff hike.

The Chairperson highlighted that AERA has already taken a considered view of the currently prevailing Pandemic situation, and, keeping in view the difficulties faced by the aviation sector in general, and, the airlines in particular, has proposed to implement revised tariff from April 1, 2021.

## **5.2 INDIGO**

Mr. Dushyant Deep, the representative of Indigo, stated that they support the viewpoints of FIA and requested AERA to come out with a revised Consultation Paper or issue an Addendum to the Consultation Paper highlighting the viewpoints of AERA in light of the revised Traffic and Capex projections by AAI due to COVID19 Pandemic.

He further pointed out that AERA in its Consultation Paper has stated that post privatization (Amritsar & Varanasi Airports listed for privatization in next round of leasing under PPP model), the new Concessionaire is to submit a fresh application for tariff determination within a year of the handing over of the airport. Further, inviting attention to the new provisions introduced vide AERA (Amendment) Act, he stated that once the tariff is mentioned in the bid documents, AERA may not be the tariff determining Authority and may only be consulted at the time of preparation of bid documents. In this context, he enquired whether AERA will remain the tariff determining authority post privatization, or, it will only oversee the aspects mentioned in the bid document?

Sh. S. Samanta, Member, clarified that AERA will remain the tariff determining Authority and further stated that the AERA (Amendment) Act specifies the above scenario in specific airports where upfront tariffs have been mentioned in the bid document. He further mentioned that in the case of Amritsar & Varanasi airports the bid document is not yet released by AAI and as such the final decision regarding the future tariff determination of these airports remains with the AAI and the Ministry of Civil Aviation.

## **5.3 International Air Transport Association, India (IATA)**

Mr. Ujjawal Bakshi from IATA reiterated the views expressed by FIA and also stated that IATA shall submit its detailed feed-back in the form of written comments.

## **5.4 Association of Private Airports Operators (APAO)**

Mr. Nayar, the representative from APAO had no comments to offer on the two Consultation Papers.

## **5.5 Delhi International Airport Limited (DIAL)**

Mr. Harsh Gulati, representative from DIAL made the following suggestions:

a) He stated that both Airports & Airlines are affected due to the COVID19 Pandemic. He stated that DIAL supports the revised traffic projections made by AAI in respect of Varanasi airport and suggested that similarly the Authority should also reconsider the Non-Aeronautical revenues which is also likely to be severely affected by the COVID scenario.

b) DIAL representative stated that, AERA in the past, has recognized that all airports are different. Therefore, no common benchmark can be set for CAPEX. He further mentioned that, in this context, DIAL supports the submission of AAI Varanasi airport urging the Authority to consider the capital expenditures on actuals, on a price discovery basis, and, the same should not be compared against the 'normative cost' right now.

- c) He also stated that the terminal building area should be considered by AERA on actuals and not on 'normative' principles since the usage is dependent on each airport type and utility at each airport.
- d) Further, the DIAL representative commented that Authority's proposal of a 25% downward revision in the tariff, prescribed as a deterrent measure, in case of delayed filing of tariff proposal by the private party, seems severe. He submitted that although it will be in the interest of the private party after privatization to submit the tariff proposal on time, however, since there is a high dependency on the counterpart for the past data, therefore, the Authority may consider keeping the penalty at the minimum.
- e) On the issue of levy of 1% penalty on delay in implementation of the project, he stated that the project capitalization may overlap the privatization process, and, also due to the prevailing uncertainty, it may not be reasonable to levy penalty on capitalization as the 'true up' exercise shall take care of the delay, if any, in capitalization.
- f) Lastly, he pointed out that the Authority has allowed an effective tax rate of 25.17% for assessment of aeronautical tax for tariff determination of AAI airports. AERA should use the same principle for PPP airport also.

The Authority noted the points and requested DIAL to also submit the same in writing.

#### **5.6 Federation of Freight Forwarder's Association in India (FFFAI)**

Mr. Vipin Vohra, (FFFAI), stated that nothing has been mentioned about the investment of cargo in the proposal, therefore, he had no comments to offer. General Manager (F), AAI, Ms. Vidya, clarified that cargo services at both the airports are provided by AAICLAS which is a separate entity. She further clarified that that tariff proposal for Cargo Services will be submitted by AAICLAS.

#### **5.7 Federation of Indian Chambers of Commerce & Industry (FICCI)**

Mr. Manoj Mehta (FICCI) explained that the COVID Pandemic has left a tremendous impact on all the sectors, specifically, the Aviation sector, resulting in almost 'nil' revenues in the past months. He, therefore, urged the Authority to keep the airlines perspective in sight while deciding upon the aeronautical tariffs. He submitted that across all sectors, worldwide, expansion plans have been put on hold due to the ongoing Pandemic situation. He stated that if the expansion plan is continued, it will have an impact on the passengers eventually. Taking reference to the Presentation made by AAI he noted the negative passenger growth projected and urged the AAI to put their expansion plans on hold for a while and come up with policies to encourage passenger growth.

At the end of the session, APD, Varanasi, briefly stated the necessity for expansion of the terminal building at Varanasi Airport. He submitted that the present passenger handling at the airport stands at 3.1 million per passenger per annum and there is a severe capacity constraint at peak times. He stated that in order to improve services to the passengers, the airport requires more check-in counters, conveyor belts, and, additionally more demarcated space / area in the SHA due to social distancing norms in vogue.

Chairperson, AERA, suggested that since the revised traffic projections show a sharp downward trend, AAI may plan to defer some of their capital expenditure.



Member, AERA also stated that since the airport is listed for privatization in next round of leasing under PPP model and considering the current situation, the expansion plans may be deferred.

6. In the 2<sup>nd</sup> session, Director (P&S), AERA, invited APD, Amritsar, for their PPT Presentation on C.P. No. 06/2020-21 dated 01.06.2020.

#### **6.1 AAI – AMRITSAR AIRPORT**

Mr. Manoj Chansoria, APD, Amritsar gave a brief presentation on the Multi Year Tariff Proposal submitted to AERA for determination of tariffs for the 1st Control Period. The presentation covered features of the existing airport, historical, earlier projections in the MYT Tariff proposal for passenger traffic and ATM movements along with the revised projections of passenger traffic and ATM movements, and revised date of capitalization for proposed capital expenditure during the Control Period in the light of COVID19 pandemic. He further highlighted that the certain changes are being proposed due to impact of COVID19 such as extension of waiver to commercial contracts, consideration of additional 10% operating expenses for sanitization and procurement of PPE kits etc.

6.2 Mr. M.N. Rao, ED (Engg.) from AAI CHQ further requested the Authority to reconsider the following issues:-

He requested the Authority to allow the disallowed capital expenditure in respect of terminal building expansion plan such as canopy over the front road, storm water drain & horticulture operation, Art work, pile foundations, IBMS, lightning automation, street lightning with LED, body scanner, automated baggage drop system, component of design charges, components of CER, component of Employer's part contribution of ESIC & EPF, etc.

He also requested the Authority to allow the electrical components cost of INR 4.87 crores as part of the 'normative' cost of APRON, and, additional cost of INR 6.10 crores as part of 'normative' cost of Parallel Taxi Track.

6.3 Ms. Vidya, GM(F&A) AAI CHQ concluded the Presentation while highlighting the COVID implication and requested the Authority to allow AAI to submit revised MYTP i.r.o. Amritsar airport with updated ARR and tariff card for the Control Period based on the revised Traffic and Capex projections.

7. Director (P&S), AERA, then invited all the Stakeholders for their comments on the Consultation Paper for Amritsar Airport. The following Stakeholders commented on the CP:-

#### **7.1 INDIGO**

Mr. Dushyant, representing Indigo Airlines pointed out that there was a difference in the existing parking charges at both Varanasi and Amritsar airport as mentioned in the Consultation Paper versus what is shown in the Presentation. G.M. (F), AAI, assured to look into the discrepancy and make necessary corrections.

#### **7.2 IATA**

Mr. Ujjawal Bakshi, representative IATA, had no comments to offer on the CP.

### **7.3 SPICEJET**

Mr. Vijay Dalakoti, from Spicejet pointed out that AAI has proposed a steep increase of 46% in domestic landing charges which the Airlines cannot sustain. He also pointed out to the increase in the UDF rates i.e., 48% proposed in the Consultation Paper. G.M. (F), AAI, Ms. Vidya, stated that due to the COVID impact, the passenger growth has gone so low that even after the proposed 46% hike in tariff, AAI will still be left with a deficit of Rs.136 crores to recover. She stated that the tariff is determined on the basis of eligible ARR, and, in this case there is no another way for AAI, but to carry over the deficit. She submitted that Airport Operators are also hit very hard due to the COVID-19 Pandemic and particularly in the case of AAI, it has to also maintain the other loss making airports.

The Authority noted the points for further consideration.

### **7.4. MIAL**

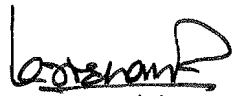
Mr. Sanjeev from MIAL requested AERA to share the copies of PPT Presentation made by AAI i.r.o. of both Amritsar & Varanasi airports in order to submit their written comments.

### **7.5. Federation of Indian Chambers of Commerce & Industry (FICCI)**

Mr. Manoj Mehta, representative FICCI, pointed out the increase in expenditure proposed by AAI. He stated that in order to encourage growth in passenger traffic and to bring down costs, AAI should restrict the expenditure and at the same time there should be no increase in UDF.

At the conclusion of the two sessions, the Stakeholders were once again requested to submit their written comments on both the Consultation Papers for consideration of AERA.

The Meeting ended with a vote of thanks by Shri Subrata Samanta, Member (AERA).

  
(Ram Krishan)  
Director (P&S)

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**List of Participants: -**

**Airports Economic Regulatory Authority of India**

1. Shri. B S Bhullar, Chairperson- in Chair
2. Shri S. Samanta, Member
3. Shri Ram Krishan, Director (P&S)
4. Smt. Geetha Sahu, AGM (Fin.)
5. Shri. Jaimon Sakaria, Manager (F)
6. Shri P Kumar, IT Division

**AAI**

7. Shri Akash Deep, APD Varanasi
8. Shri Manoj, APD Amritsar
9. Shri M.N. Rao, ED(Engg.)
10. Shri Vinod Punyal, GM(Planning)
11. Ms. V Vidya, GM(F&A)

**Federation of Indian Airlines**

12. Shri Ujjwal Dey

**International Air Transport Association, India**

13. Shri Ujjwal Bakshi

**Association of Private Airport Operators**

14. Shri Satyan Nayar

**Indigo**

15. Shri Dushyant Deep

**Spice Jet**

16. Vijay Dalakoti

**Delhi International Airports Limited**

17. Shri Harsh Gulati
18. Shri Saurabh S

**Mumbai International Airport Limited**

19. Shri Sanjiv Bhargava

**Federation of Freight Forwarders' Associations in India**

20. Shri Vipin Vohra

**Federation of Indian Chambers of Commerce & Industry**

21. Shri Manoj Mehta

**Associated Chambers of Commerce and Industry of India**

22. Shri. Dheeraj Pandey

**PricewaterhouseCoopers (Consultant)**

23. Shri Kunal Singhal
24. Shri Rahul Varshney