

Dated: 8th July 2020

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

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

Dear Sir,

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

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

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



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

We thank you for your kind consideration of the above.

Yours sincerely



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