

Chandigarh International Airport Limited

No. SEC/CHIAL/2015-16

Date: 23rd February, 2017

To,

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

Subject: Comments on Consultation Paper No. 3/2016-17 dated 14th February, 2017 in respect of Chandigarh International Airport Ltd. (CHIAL)

Sir,

This is with reference to the Consultation Paper No. 3/2016-17 dated 14th February, 2017 in respect of MYTP of control period 01.04.2016 to 31.03.2017 of Chandigarh International Airport Ltd. (CHIAL) issued by your office. Point-wise comments by CHIAL are enclosed herewith for your kind consideration.

You are requested to kindly reconsider the submissions and explanations for fixation of tariff for the control period 2016-17 to 2020-21.

Thanking you,

Yours truly,

For Chandigarh International Airport Limited



(J. B. Saini)

Chief Financial Officer

CHIAL views on CP issued by AERA

Proposal No.	Action taken by AERA	CHIAL's View
1. RAB	Removal of Cost of Land from RAB	<p>Cost of Land has been treated as part of RAB since land has been contributed by GMADA & HUDA in the form of Equity.</p> <p>As per clause No.2.2 of JV agreement between the stakeholders, GMADA & HUDA were required to acquire the land of 300 acres and transfer it to the JVC. As such GMADA & HUDA acquire the land from the private owners and brought it as their respective equity contribution by paying cash.</p> <p>The land has been brought neither through grant or subsidy but actually bought by paying cash by the stakeholders.</p> <p>Hence AERA is requested to consider the value of land cost in RAB.</p>
	Allocation of Fixed Assets Authority has allocated fixed asset between Aero & Non-Aero in the ratio of 90.5:9.5 in the place of 92:8 as submitted by CHIAL	Agreed by CHIAL
2. FROR	Allowed FROR 14%(Rate of Return on Equity) <p>AERA has assumed that the internal accruals of CHIAL would be sufficient to fund capital additions during the control period and as such Debt is not required.</p>	Agreed by CHIAL
3. Operation & Maintenance Expenditure	Payroll expenditure <p>Increase from FY 2019 to 2021 is 7% instead of 9% submitted by CHIAL.</p> <p>As per CHIAL – 37.19 Crore</p>	9% increase was considered similar to the increase allowed by AERA to AAI airports. Since AAI employees are working for CHIAL and drawing similar salary, increase of 9% p.a. may be allowed.

	As per AERA – 35.74 crore Diff – 1.45 crore	
	Administration & General Expenditure Financial Charges has been removed since no debt considered during the control period Rs. 10.78 crore. As per CHIAL – 24.96 Crore As per AERA – 14.18 crore Diff – 10.78crore	Agreed by CHIAL
	Repair & Maintenance Expenditure AERA has taken actual figures of FY 2015-16 as the base and calculated the projection for FY 2016-17 and YOY increase of 8%, 8% and 10% thereon. As per CHIAL – 42.27 Crore As per AERA – 27.28 crore Diff – 14.99 crore	Approved Budget Figures may be considered for FY 2016-17 and 10% increment YOY basis as submitted may be allowed.
	Utilities and Outsourcing Expenditure AERA has reduced the total expenditure by 8.52 crores for the entire control period and the same has not been explained in the CP. As per CHIAL – 43.46 Crore As per AERA – 34.94 crore Diff – 8.52 crore	The figure submitted by CHIAL may please considered.
4. Non – Aero Revenue	Rental Income from "Land for refueling station" It has been considered as Aero revenue and removed from Non-	As per definition given by AERA in respect of Aeronautical revenue, Land for refueling station is not defined as Non-Aero Revenue. Only Throughput income has been

	<p>Aero revenue.</p> <p>defined as Aero revenue. Further, rates of only aero revenue are regulated by AERA and rental income does not come under AERA's purview.</p> <p>As such, it may be added back to Non-Aero revenue.</p>
<p>Increase in area utilized for commercial activities.</p> <p>The authority has assumed that out of 4623 SQM area earmarked for commercial activity, CHIAL has considered only 804 SQM as area utilized for the entire Control Period. AERA has subsequently considered an increase in utilized area up to 40% by the end of the control period. As such the area has been increased to 1849 sqm by the end of the control period and income has been increased by Rs. 10.88 crore for the control period.</p> <p>As per CHIAL – 15.31 Crore As per AERA – 26.19 crore Diff – 10.88 crore</p>	<p>The 4623 SQM area earmarked for commercial activity includes F & B (1000 SQM), Retail (1200 SQM) and Rent from Area Leased inside Terminal Building (804 SQM). Thus it does not consist of only 804 SQM for Area Leased inside Terminal Building.</p> <p>Income from F & B and Retail have already been considered.</p> <p>As such the increase in income of Rs. 10.88 crore may be ignored.</p>
<p>Interest on cash balance</p> <p>Authority has considered a total interest income of Rs. 23.42 crores for the control period against Rs. 0.45 crores submitted by CHIAL. The same has been considered by the authority based on the cash flow statement of CHIAL considering revised income.</p> <p>As per CHIAL – 0.45 Crore As per AERA – 23.42 crore Diff – 22.97 crore</p>	<p>Agreed by CHIAL</p>

5. Taxation	<p>Authority has considered only Aero revenue for the purpose of tax calculation. It has worked out tax liability considering the benefit of unabsorbed tax losses, depreciation and MAT provisions.</p> <p>As per CHIAL – 44.37 Crore As per AERA – 22.17 crore Diff – 22.20 crore</p>	Agreed by CHIAL.
6. ARR	<p>Discounting Factor</p> <p>AERA has considered the base year as the first year of the control period i.e. FY 2016-17 for discounting. However, CHIAL has considered the year from which the new tariff would be applicable i.e. FY 2017-18 as the base year for discounting and compounded rate for 2016-17.</p>	Submission by CHIAL may be considered since FY 2016-17 has already elapsed and new tariff were not applicable for the year. The same has been allowed in the case of AAI Airports.
	<p>Short fall of First CP i.e. 2016-17</p> <p>The authority has not considered the short fall of the first control period amounting to Rs. 99.32 crores (PV) since as per the Authority CHIAL became a major airport only from 1 April 2016.</p>	<p>As per sec 2 (i) of the AERA Act, 2008 major airport means any airport which has or is designated to have annual passenger throughput in excess of 1.5 million.</p> <p>Since Chandigarh International Airport is designated to have annual passenger throughput of 4.50 million which is in excess of 1.5 million, it is classified as a major airport since commencement of operation at the airport i.e. FY 2015-16.</p> <p>Hence AERA is requested to consider the short fall of first control period.</p>
7. Traffic Forecast	<p>PAX</p> <p>AERA has considered increase in domestic pax at 12% p.a. and international pax at 5% p.a. against domestic pax at 10% p.a. (2016-17 to 2017-18) to 8% p.a. (2018-19 to 2020-21) and no increase for international pax by CHIAL</p>	<p>Domestic Pax - The increase in domestic pax may be considered as per CHIAL submission because this is as per CPMS data which is the governing body to study the trend and make forecast of traffic data.</p> <p>International Pax - There is limit on length of Runway being increased</p>

		<p>beyond 000 feet therefore wide body aircraft cannot land at present. In view of above limitation, number of international flights are expected to be constant in future.</p> <p>The current pax for Jan 2017 is 13,783 which work out to 1.56 lac p.a. Whereas it has already been considered as 2.19 lacs p.a. throughout the Control Period.</p>
	<p>ATM AERA has considered increase in domestic ATM as submitted by CHIAL 8% p.a. (2016-17 to 2017-18) to 6% p.a. (2018-19 to 2020-21) and international ATM at 2% p.a. against no increase for international pax by CHIAL.</p>	<p>Domestic ATM – Agreed by CHIAL</p> <p>International ATM - There is limit in expansion of runway therefore no. of international flights are expected to be constant in future.</p>