



भारतीय विमानपत्तन प्राधिकरण  
AIRPORTS AUTHORITY OF INDIA

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No. AAI/CHQ/AERA/MYTP-COIMB/2018/92

13<sup>th</sup> Feb , 2019

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

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
सफ़दरजंग एयरपोर्ट, नई दिल्ली-110003

प्राप्त  
डायरी नं० 13460  
तारीख 13/02/19

**Sub:- Replies to the comments of stakeholders on CP NO 26/2018-19 dated 09/01/2019 in the matter of determination of Aeronautical Tariff in respect of Coimbatore Airport.**

Sir/Madam,

Reference is invited to Email dated 04/02/2019 on the subject noted above.

2. The pointwise replies to the comments of stakeholders on the CP NO 26/2018-19 dated 09/01/2019 in the matter of determination of Aeronautical Tariff in respect of Coimbatore Airport are enclosed here with for consideration of AERA.

3. This issues with the approval of the Competent Authority.

Encl: As above

Yours Sincerely,

(V. Vidya)

General Manager (F)-Tariff



**Replies to the comments of stakeholders on the CP NO 26/2018-19 dated 09/01/2019 in the matter of determination of Aeronautical Tariff in respect of Coimbatore Airport**

| SNO | Stakeholder                | Comments   | Reply of AAI   |
|-----|----------------------------|--|--|
| 1   | HPCL                       | AERA has proposed Throughput charges at Coimbatore as 164.54 Rs/KL effective from 01.12.2018. We shall abide by the decision taken by AERA on revision of throughput charges. However, we request to keep the date of implementation of tariff, only after the date of release of the order.   | The revised tariff shall be applicable with prospective date only. |
| 2   | FIA                        | Post introduction of UDF, shortfall in ARR (81%) has reduced to 12%, implying 69% of shortfall is recovered from UDF. Shortfall stems from acceptance of AAI's submission in all building blocks leading to higher ARR. If shortfall is met through increase in tariffs, viability and affordability of the airport for airlines and passengers will be affected. Accordingly, FIA submits that the Authority should expressly comment about the measures to contain the above mentioned shortfall by adjusting the current building blocks. | AERA to reply  |
| 2.1 | Aeronautical Revenue>> UDF |  |  |

| SNO | Stakeholder                | Comments   | Reply of AAI  |
|-----|----------------------------|--|---|
| 2.2 | Aeronautical Revenue>> ATP | Tariff card for 1st control period -- increase in charges borne by airlines, as proposed by Coimbatore airport has been accepted by authority. 114% in parking charges, 26%-31% in landing charges. Authority should consider 18.26% & 12.79% yoy growth rate for domestic passengers & ATM respectively and other components of ARR to reevaluate increase in charges.  | AERA to reply   |
| 2.3 | Traffic                    | <p>Traffic projections provided by AAI has been accepted by authority except in case of domestic passenger and has not conducted independent study of its own. Growth rate projections for domestic traffic and ATM are lower than the historical 5-year CAGR. FIA submits that the Authority consider 5-year CAGR of 18.26% for YoY growth rate projections for domestic passenger traffic for the first control period.</p> <p>Also, FIA observed a summation error in total passenger traffic, which is highlighted in the table below. FIA submits that Authority should correct these numbers in final order. FIA also submits that Authority should consider the 5-year CAGR of 12.79% YoY growth rate projections for domestic ATM for the first control period.</p> <p>Without prejudice to the above, FIA submits that the traffic projections are critical in ascertaining the tariffs and CAGR considered by Authority is significantly lower than past CAGR, the</p> | AAI had proposed passenger Growth rate 9% YOY after considering past trends, econometric analysis & regression analysis and various economic factors & policy framework. However, AERA has considered 13.5% based on 5 year simple average. Even 13.5% may not sustain for longer period. |

| SNO | Stakeholder            | Comments   | Reply of AAI  |
|-----|------------------------|--|---|
|     |                        | Authority must appoint an independent consultant to evaluate traffic forecasts.  |   |
| 2.4 | RAB>> Asset allocation | <p>Authority has broadly relied on coimbatore airport's submission on allocation of assets between aeronautical and non-aeronautical without considering: a) technical study by independent agency and b) normative approach parameters. FIA observed that summation error in total row in year FY21 &amp; FY22. As per FIA's analysis, the sum of total additions in FY21 &amp; FY22 is INR 3,480 lakhs and INR 15,989 lakhs respectively instead of INR 7,479 lakhs &amp; INR 11,990 lakhs in FY21 &amp; FY22 respectively. FIA submits that Authority should rectify the additions to RAB in order and consequential effect needs to be given in ARR. FIA submits that the Authority should mention the allocation ratio of additions to RAB. However, such ratio should be supported by an independent study. Without prejudice to the above, FIA submits that if an independent study cannot be conducted due to paucity of time, it is submitted that Authority consider aero allocation of 80% as per Proposal 6.(a) of CP 5/2014-15 "In the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports" for the first control period and true up the allocation ratio based on independent study in the second control period.</p> | The allocation ratio has been proposed by AAI based on actual usage. It is not realistic to apply aero allocation of 80% as per CP 5/2014-15 uniformly to all airports, as the ratio varies depending on the various factors at the airports. |

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| SNO | Stakeholder | Comments  | Reply of AAI  |
|-----|-------------|---|---------------|
| 2.5 | RAB         | Reduction in gross additions to RAB amounting to INR 1,556 lakhs has been proposed by Authority. INR 1,248 lakhs has been factored in the RAB additions while computing ARR. Linkage or reason for the gap has not been explained by authority. FIA submits that it appears that the gap of INR 308 lakhs is either due to allocation ratio or due to some other reason, which has not been explained by the Authority. INR 113 lakhs is due to non-aero allocation and for balance INR 195 lakhs is not explained. Hence, FIA submits that INR 195 lakh should be reduced from RAB additions and the ARR needs to be recomputed accordingly. | AERA to reply |

| SNO | Stakeholder                | Comments  | Reply of AAI  |
|-----|----------------------------|---|---|
| 2.6 | RAB>><br>Normative<br>Cost | <p>Normative cost per sqm for terminal building and apron is higher than rate decided in normative order. Work order for new terminal building is yet to be awarded. Therefore, high probability of deferment of commencement of terminal building to FY23. Airport is in losses, in case financial closure is not achieved, it might lead to deferment of capitalisation to next control period. FIA submits that considering the past trends in delay of commissioning of infrastructure projects and award of work is yet to be done, it will be prudent to assume that terminal building will not be able to operationalise in FY22. Hence, FIA submits that Authority should defer the capitalisation of new terminal building to FY23 and the ARR should be recomputed accordingly. FIA also submits that the Authority should clarify the rationale for considering INR 1,00,000 &amp; INR 7,200 as normative cost to terminal building and apron respectively instead of INR 65,000 &amp; INR 4,700 as mentioned in Authority's order 07/2016-17.</p> | AERA to reply   |
| 2.7 | RAB                        | <p>Incorrect additions in computing average RAB in FY21 &amp; FY22 considered by Authority has resulted in overstatement of ARR by INR 560 lakhs</p>  | <p>There is totaling error in Table-20-additon to RAB however while working out ARR the correct figure has been taken in the respective year/Assets head.</p> |



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| SNO  | Stakeholder              | Comments  | Reply of AAI  |
|------|--------------------------|---|---|
| 2.8  | RAB>><br>Depreciation    | Useful life of 30 years considered for terminal building and aprons which is conservative view. Considering airport assets have useful life up to 99 years in international airports, 60 years useful life for terminal buildings and aprons ought to be considered by Authority. FIA submits that Authority should recompute the depreciation basis the allocation of RAB assets in the ratio of 80:20 for this control period.  | AAI has submitted Tariff Proposal considering the useful life prescribed by AERA.                         |
| 2.9  | Opex                     | Without considering past trends, productivity improvements and cost drivers, the Authority has accepted the operating expenditure submitted by AAI as is, which was forecasted on very broad basis by coimbatore airport. Allocation ratio and basis of allocation of gross operating expenditure has not been mentioned by the authority. AAI has proposed 10% increase in repair and maintenance charges due to increase in terminal building area in FY 22 at Coimbatore Airport. However, these expenditures will not increase for new terminal building in initial years. Hence, FIA submits that in order to assess efficient operating expenditure the Authority should have conducted independent analysis. | AERA to reply   |
| 2.10 | Non Aeronautical Revenue | Growth in non-aeronautical revenue has been projected on a Conservative basis despite 24% increase in non-aero revenue in FY19 & increase in passenger traffic. Non-aero revenue is   | Non-aeronautical revenue has been projected on the basis of agreement with the concessioners. Further AAI |



| SNO  | Stakeholder                | Comments   | Reply of AAI  |
|------|----------------------------|--|---|
|      |                            | in a range of INR 77-82 per passenger over the control period.   | proposed additional 5% due to new departure area in FY 22.  |
| 2.11 | ARR                        | Yield per passenger not computed for coimbatore airport by the Authority is in contravention of chapter III of aera guidelines, 2011.  | AERA to reply   |
| 2.12 | ASQ Ratings                | ASQ ratings have not been maintained by coimbatore airport at the requisite levels in 2017 and 2018. No penalty has been imposed on airport for the first control period. Since ASQ ratings for 2017 and 2018 have not been met, FIA submits that penalty should be computed for the first control period in order to minimize UDF and accordingly not put passengers under unnecessary burden in the first control period.  | As per AERA Guidelines the benchmark of ASQ is 3.75. Moreover MOU was signed between AAI and MoCA to achieve target of 4.8 based on average of 20 major airports. Hence AERA is requested not to penalize AAI.  |
| 2.13 | Adequate Info not provided | Following are certain instances wherein no adequate information has been provided by the Authority :<br>a) <b>Opex</b> - not provided Gross operating expenditure, allocation ratio and basis of allocation in Consultation Paper. Under repair and maintenance expenditure, expenditure of INR 434 lakhs has been charged off in FY17 & FY18. Prima facie, these expenditures seems to be in capital nature and no comment/justification has been provided. Under table 25, FIA observed that expenses for first control period has been projected taking actual FY18 | AAI has submitted the allocation ratio while submitting MYTP of Coimbatore airport. All the works mentioned here are of nature of Repair & Maintenance only and accordingly has been charged off. CHQ/RHQ expenses have been allocated based on FY 16 and projected in the control period . These shall be trued up in the next control period. |

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| SNO  | Stakeholder                        | Comments   | Reply of AAI  |
|------|------------------------------------|--|---------------|
|      |                                    | <p>figures as a base. However, CHQ/RHQ expenses under payroll cost and administration cost has been computed on the basis of actual in FY16 rather than projecting growth on FY18 actual numbers.</p> <p>b) <b>Mismatch in Gross additions to RAB in FY17 &amp; FY18.</b> - Summation error in additions to RAB in table 12 &amp; 20 of Consultation Paper mentioned on page 17 &amp; 23 respectively.</p> <p>c) <b>Carry forward of losses-</b> As per Section 72 of Income Tax Act, 1961 business losses can be carried forward for 8 years and will be set off with profits in future years. It is submitted that carry forward losses for periods prior to FY17 (if any) should be considered in the first control period rather than leaving it for true up in the second control period.</p> |               |
| 2.14 | Methodology for Tariff Calculation | Authority ought to follow Single Till Model for determination of Aeronautical Tariff   | AERA to reply |