

F. No. AERA/20010/MYTP/CIAL/2011-12/Vol- I
Airports Economic Regulatory Authority of India

Minutes of the Stakeholder Consultation Meeting held on 17.06.2014
(Consultation Paper No. 03/2014-15 dated 05.06.2014)

Subject: *In the matter of determination of tariffs for Aeronautical Services in respect of Cochin International Airport, Cochin for the first Control Period (01.04.2011 to 31.03.2016)*

A Stakeholder Consultation meeting was convened by the Authority on 17.06.2014 at 1500 hrs. in the Conference Room, first Floor, AERA Building, Administrative Complex, Safdarjung Airport, New Delhi to elicit the views of the stakeholders on the Consultation Paper No. 03/2014-15 dated 05.06.2014 issued by the Authority setting out its tentative position in respect of the determination of tariff for aeronautical services at Cochin International Airport, Cochin for the first Control Period (from 01.04.2011 to 31.03.2016). The list of the participants is enclosed at **(Annexure – I)**.

2. Chairperson, AERA welcomed the participants and requested Shri A.M. Shabeer, ED (Engineering Services), Cochin International Airport Limited (CIAL) to make a presentation on the proposal.

3. Presentation by CIAL:

3.1 Shri Shabeer, ED (Engineering Services), CIAL, made a presentation on their proposal. Shri Shabeer stated that CIAL commenced the operations at Cochin Airport in the year 1999 and has a unique ownership structure. Their Equity partners are Govt. of Kerala, Financial Institutions and more than 16000 individual investors. Shri Shabeer further stated that the entire land for the airport was acquired at market rate by Govt. of Kerala and transferred to CIAL on cost basis and no subsidy was provided.

3.2 Shri Shabeer mentioned that Cochin Airport is a low cost, functional airport which handled 4.9 million passengers in FY 2012-13 and air traffic is primarily driven by Non-Resident Keralites (NRK) residing in Middle East, and domestic and international tourists. Traffic has grown at a CAGR of 8% since FY 2008 and cargo traffic has grown at a CAGR of 12% since FY 2008.

3.3 Shri Shabeer further mentioned that CIAL is a pioneer in developing low cost functional airport. Modular expansion now being proposed is based on the need, and would be undertaken in a cost effective manner. The per square meter cost of construction of the proposed new terminal is the lowest as compared to the airports at Delhi, Mumbai, Kolkata and Trivandrum Airports.

3.4 Shri Shabeer emphasised on the need of expansion, as the existing infrastructure is inadequate to handle the growing traffic. Shri Shabeer mentioned that the Current traffic (FY 2014) is 5.4 mppa which is projected to reach 10 mppa in FY 2021. Therefore, there is a requirement of new terminal building which is planned to be commissioned in FY 2016 with an estimated cost of Rs. 875 crores. The

international operation is proposed to be shifted to the new terminal building and the old international terminal building would be integrated with the existing domestic terminal for handling only domestic operations.

3.5 Regarding the tariff(s), Shri Shabeer explained that CIAL has not increased the aeronautical tariff since 2001 and their aeronautical tariff is lower than other major airports in the region. Further, since FY 2009, Non-Aeronautical revenue contributes to over 60% of the total revenue of CIAL. CIAL proposed to continue with the existing aeronautical tariffs till the commissioning of new terminal building (expected commissioning in 2016). However tariffs for supply of fuel to aircraft services, ground handling services and CUTE services are governed by existing agreements, which have a built-in escalation clause, and CIAL requested to allow increase in accordance with these existing agreements.

3.6 A copy of the presentation is placed at **Annexure – II**.

4. Chairperson thanked CIAL for its presentation on the various issues/ proposal in the consultation paper and requested stakeholders to give their comments and views in the matter, which are contained in the following paragraphs.

5. **International Air Transport Association (IATA):**

5.1 Shri Amitabh Khosla, Country Director, IATA stated that they commend and appreciate the CIAL's proposal to continue with tariff till 2016. In the context of India, Cochin Airport is a model airport as it has been able to keep its cost low in a sustainable manner by generating non-aeronautical revenue through systematic development, which is commendable.

5.2 Shri Khosla concluded his statement by stating that IATA favours AERA's proposal especially proposal no.1 which is to continue with the existing aeronautical tariff, except in respect of fuel throughput and ground handling, which are covered by separate concession agreement.

6. **Association of Private Airport Operators (APAO):**

6.1 Representative of APAO, Shri Satyakati Reghunath of Leigh-Fisher, inter-alia stated that:-

- (i) APAO is in general agreement with the AERA's proposal for tariff at Cochin Airport.
- (ii) APAO would like to place on record that though AERA has pointed that CIAL expansion is in excess of IMG norms, yet as CIAL has taken a prudent approach regarding cost, IMG norms may not be relevant as it is possible to be cost efficient even with the increase in area over the IMG norms.
- (iii) APAO further stated that Cochin Airport is a benchmark to follow so far privatisation of airports is concerned. CIAL has been able to keep aeronautical charges at acceptable level by developing non-aeronautical revenue resources.

7. **Air India:**

7.1 Shri Kapil Aseri, Chief of Finance, of Air India Express stated that the cost of the new project is about Rs. 875 crores and the funding cost is about 11-13%. CIAL may explore the possibility of issuing infrastructure bonds where the cost of funding

can be restricted to 9 to 9.5%. Shri Aseri further stated that aerobridge charges and x-ray charges were fixed in the year 2001 in US dollars, which should now be fixed in Indian Rupees. Shri Santosh of CIAL clarified that they are already exploring the possibilities of issuing infrastructure bonds.

8. Federation of Indian Airlines (FIA):

8.1 Shri Ujjawal Dey, Associate Director, FIA stated that they have not received any communication from any airlines so they are unable to comment. However Shri Dey pointed out that there seem to be increase in tariff as in the presentation, aeronautical revenue was Rs. 40 crores in the FY 2003 which has been increased to Rs. 89 crores in FY 2013. While non-aeronautical revenue was Rs. 21 crores in FY 2003 which has been increase to Rs. 218 crores in FY 2013.

8.2 Chairperson clarified that the aeronautical tariff which was determined in the year 2001 by the then regulator (Ministry of Civil Aviation) have not been increased and change in aeronautical revenue may be due to increase in the volumes of ATM etc. Further tariff for cargo, ground handling and fuel supply services are aeronautical tariff which has been shown separately in the consultation paper.

9. Bird Worldwide Flight Services India (BWFS):

9.1 Shri Sundeep Jain, CCO of BWFS, stated that BWFS is in general agreement with the proposal. Shi Jain suggested that as CIAL may be earning in foreign currency, they may seek foreign currency loan also which will reduce the funding cost by one third.

10. Bharat Petroleum Corporation Limited (BPCL):

10.1 Shri Sujit Kumar, Group leader - Aviation, BPCL stated that they are in general agreement with the proposal.

11. Spice Jet:

11.1 Shri Wasil, DGM – Govt. Affairs, Spice jet stated that they are in the agreement on the proposal.

12. Hindustan Petroleum Corporation Ltd (HPCL):

12.1 Shri Jagjeet S. Khanuja, Manager – customer relations, HPCL stated that HPCL is the service provider of fuel supply services at Cochin airport and they are not having direct agreement with CIAL. They are providing services through BPCL. Shri Khanuja further stated that HPCL and IOCL have similar arrangement with BPCL and paying fuel throughput charges as per the order issued by the AERA in the year 2010 and there is no further order for revision. Now, CIAL has been forcing them to pay as per the revised rates. In case the fuel throughput charges are revised, revision should be made prospectively. Shri Santosh, Senior Manager (Finance), CIAL, clarified that they are not in any agreement with HPCL or IOCL and hence CIAL is not a party to this issue.

13. GMR Hyderabad International Airport Limited (GHIAL):

13.1 Shri Punish Oberoi, Associate Manager- Finance stated that they will submit the written comments shortly on behalf of DIAL and GHIAL.

14. **Bengaluru International Airport (BIAL):**

14.1 Shri Anand Kumar, Asstt. Vice President – Head, of BIAL stated that BIAL will submit its comments in writing shortly.

15. **Indian Oil Corporation Ltd. (IOCL):**

15.1 Shri Shailesh Dhar, Chief Airport Terminal Manager, IOCL, stated that their comments are same as of HPCL. IOCL also has no direct agreement with CIAL and HPCL is also forced to pay the higher charges. Shri Shailesh also stated CIAL has shown comparison of tariff with the Delhi, Mumbai Kolkata, Chennai, etc. Regarding fuel throughput charges, the comparison should be made with airport of equivalent sizes like Trivandrum and Calicut airport where fuel throughput charges are less than Cochin airport. Further existing tariff for fuel throughput charges is Rs. 84/- per KL not Rs. 145/- per KL at Cochin Airport and if Authority determine any increase in this tariff, it should be on prospective basis.

16. In his concluding remarks Chairperson thanked all the stakeholders for their active participation and requested them to furnish their comments/ views on the Consultation Paper 03/2014-15 latest by 30.06.2014, the last date for submission of comments.

Annexure – I

List of Participants:

Airports Economic Regulatory Authority of India (AERA)

Shri/Smt

1. Yashwant S. Bhave, Chairperson
2. Dinesh Chander Bajaj, Member
3. D. Devaraj, Member
4. Alok Shekhar, Secretary
5. C.V. Deepak, OSD-II
6. Radhika R., Jt. GM
7. A.B. Saxena, DGM
8. R.K. Gupta, AGM (Finance)
9. S. Dey, AGM (Finance)
10. Praveen Gupta, AGM (Finance)

- in Chair

Air India

11. Meenakshi Dua, Executive Director, Southern Region
12. Jayachandra, General Manager (Fin.)

Air India Express

13. Kapil Aseri, Chief of Finance

Association of Private Airport Operators (APAO)

14. Satyan Nayar, Secretary General

Cochin International Airport (CIAL)

15. A.C.K.Nair, APD
16. A.M. Shabeer, Executive Director (Engineering Services)
17. Sunil Chacko, General Manager
18. Santosh J. Poovattil, Senior Manager (Fin.)
19. Pran. A. Pinai (Fin.)

GMR Hyderabad International Airport Limited (GHIAL)

20. Punish Oberoi, Associate Manager – Finance

Bengaluru International Airport (BIAL)

21. P. Anand Kumar, Asstt. Vice President & Head Controlling & Regulatory Affairs

Federation of Indian Airlines (FIA)

21. Ujjwal Dey, Associate Director

Inter Globe Aviation Limited (Indigo)

22. Praveen Gupta, Deputy General Manager- Corporate Affairs

International Air Transport Association (IATA)

23. Amitabh Khosla, Country Director – India

Bird- Worldwide Flight Services India (BWFS)

24. Sundeep Kumar Jain, CCO

25. Sanjay Sawant, CFO

Spice jet Airlines Ltd.

26. Moin Wasil, Deputy General Manager

Hindustan Petroleum Corporation Ltd.(HPCL)

27. Jagjeet S.Khanuja, Manager - Customer Relations

Indian Oil Corporation Ltd. (IOCL).

28. Shailesh Dhar, Chief Airport Terminal Manager

Bharat Petroleum Corporation Limited (BPCL)

29. S. Abbas Akhtar, Chief Manager Business Development

30. Sujit Kumar, Group Leader

ICWAI-MARF

38. Nisha Dewan, Joint Secretary

39. Yogendar Pal Singh, Sr. officer

40. Harpreet Kaur, Project Associate

KPMG

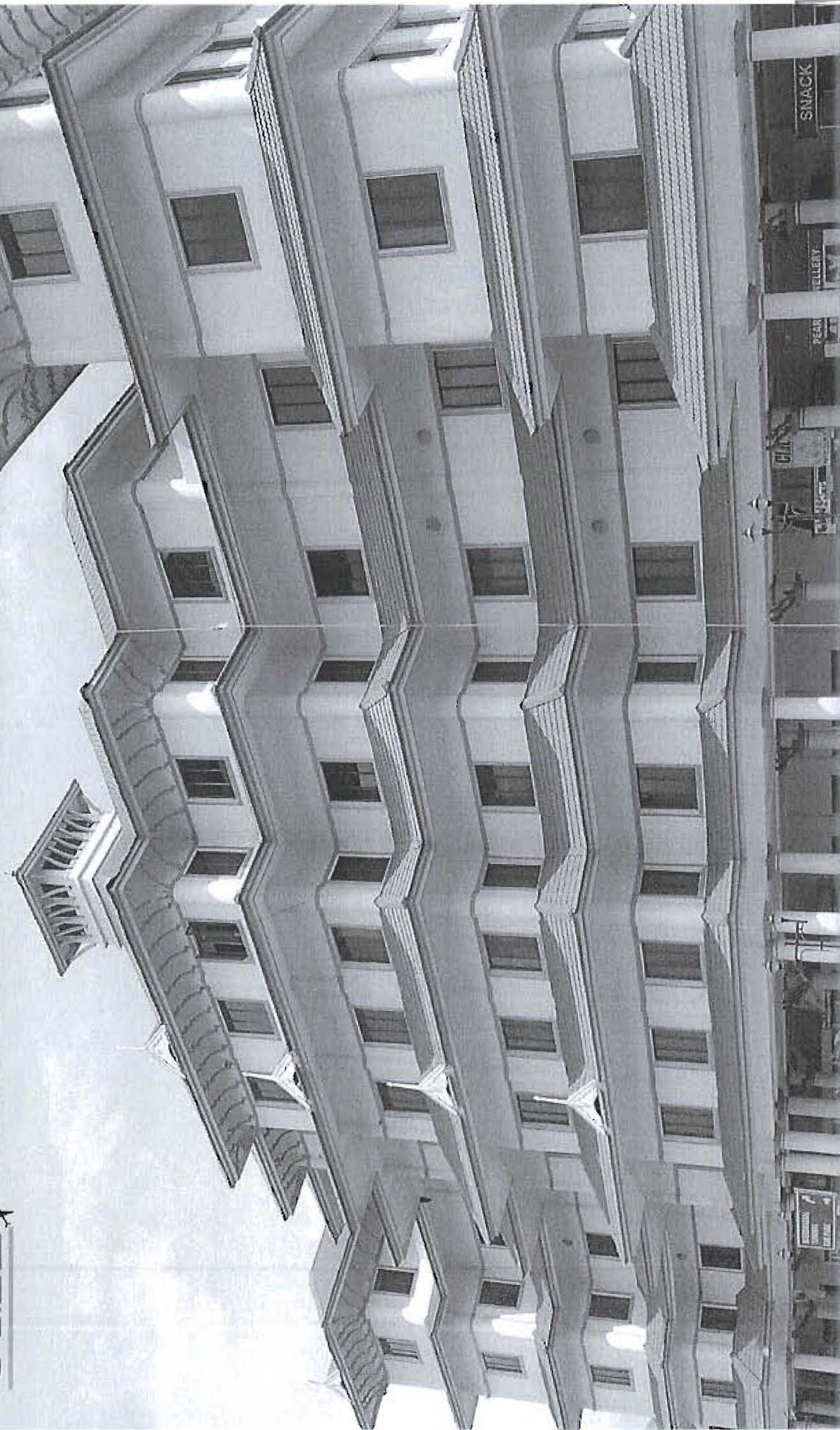
41. Gautam Arjun, Management Consulting

42. Kamarn

Annexure - II



COCHIN INTERNATIONAL AIRPORT LIMITED



Presentation to Stakeholders
New Delhi, 17 June 2014

Overview of Cochin Airport Assets and Operations

Cochin International Airport – an introduction

- Commencement of operations in 1999
- CIAL – unique ownership structure
- Equity contributions from Government of Kerala, financial institutions and more than 16,000 individual investors
- Entire land acquired at market rates by Government of Kerala and transferred to CIAL at cost - no subsidy provided
- Handled 4.9 million passengers in FY 2012-13
- Air traffic driven by NRKs residing in Middle East and domestic & international tourists
- **Pioneer in developing a low cost, functional airport**

Please refer [annexures](#) for complete ownership structure of CIAL

Modular expansion based on need in a cost effective manner

- Multiple contracts competitively tendered as opposed to a single large turnkey contract
- Simple, functional, no-frills development model
- Locally available materials used for development
- Prudent financial management

S No.	Airport	Terminal area constructed (sq m)	Terminal Cost (INR cr)	Cost per sq m (INR)
1	Delhi – Terminal 3	553,887	6,836	123,419
2	Mumbai – Terminal 2	410,000	5,500	134,146
3	Kolkata – new terminal	195,000	2,300	117,949
4	Trivandrum – new terminal building	29,000	289	99,655
5	Cochin – proposed new terminal	150,000	650	43,333

- 2011

Source: CIAL, Secondary Research

Cochin airport is clearly ahead of its peers in controlling capital costs and delivering a functional airport

Passenger traffic has grown at a CAGR of 8% since FY 08

Passenger traffic - Historic

Traffic (million)	FY08	FY09	FY10	FY11	FY12	FY13
International	1.8	2.0	2.2	2.4	2.6	2.9
Domestic	1.6	1.4	1.7	2.0	2.1	2.0
Total	3.4	3.4	3.9	4.3	4.7	4.9

International traffic has historically dominated passenger movements in CIA

Passenger traffic - Forecast

Traffic (million)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
International	3.2	3.5	3.8	4.1	4.5	4.9	5.3	5.8
Domestic	2.2	2.4	2.7	3.0	3.3	3.7	4.1	4.5
Total	5.4	5.9	6.5	7.1	7.8	8.6	9.4	10.3

Forecast – CAGR of 9.8% per annum (International – 9%, Domestic – 11%)

Cargo traffic has grown at a CAGR of 12% since FY 08

Cargo traffic - Historic

Metric tonnes	FY08	FY09	FY10	FY11	FY12	FY13
International	20,851	27,543	35,498	34,153	36,885	39,836
Domestic	6,217	6,614	5,893	6,938	7,467	8,064
Total	27,068	34,157	41,391	41,091	44,352	47,900

Cargo traffic - Forecast

Metric tonnes	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
International	43,023	46,465	50,182	54,197	58,532	63,215	68,272	73,734
Domestic	8,709	9,406	10,159	10,971	11,849	12,797	13,821	14,856
Total	51,732	55,871	60,341	65,168	70,381	76,012	82,093	88,590

Forecast – CAGR of 8% per annum

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CIAL has delivered service quality while managing costs efficiently



ASQ ratings of Cochin International Airport

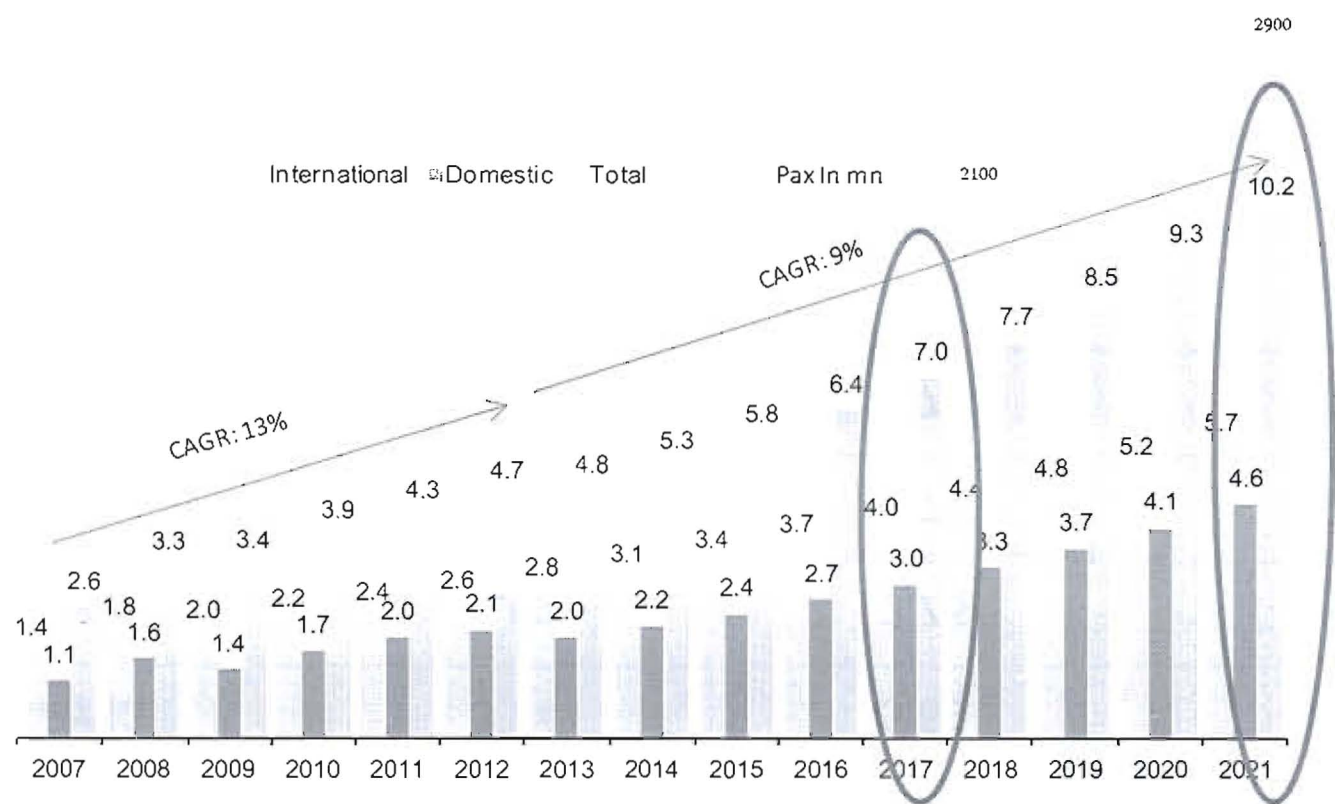
S No.	Period	Domestic	International	Total
1	Q3 FY13	3.74	3.69	3.71
2	Q4 FY13	3.69	3.75	3.72
3	Q1 FY14	3.78	3.71	3.74
4	Q2 FY14	3.60	3.79	3.70

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There is a need to augment infrastructure to cater to future demand and meet service quality requirements

Existing infrastructure is inadequate to handle the growing traffic

Total traffic at CIA is estimated to exceed 10 mppa by 2021



PHP	2012	2017	2021	2028
Domestic Terminal	1,000	1,700	2,600	3,700
International Terminal	1,300	2,100	2,900	4,000

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Need for expansion to meet projected traffic growth



Current Traffic (FY2014) : 5.4 mppa

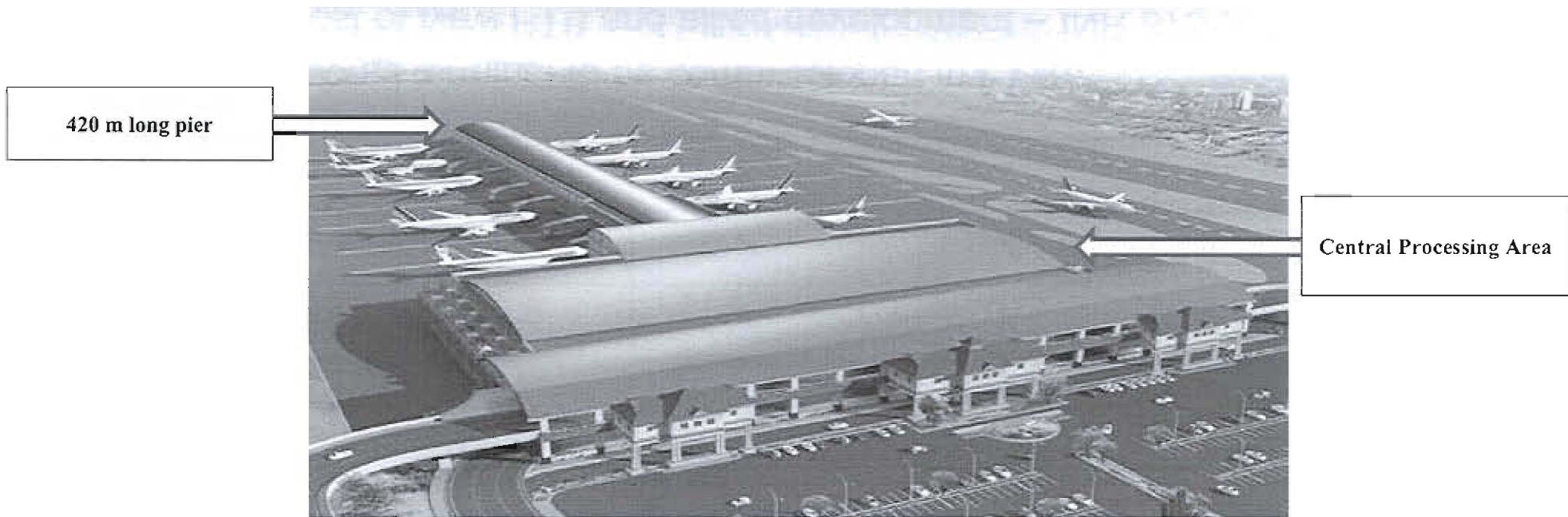
Projected Traffic (FY2021) : 10 mppa

- CIA has two separate terminals for domestic and international passengers
 - Domestic terminal – capacity of 800 php (400+400)
 - International terminal - 2,400 php (1200+1200)
 - **60% more peak hour movements** than capacity at domestic terminal
- A new international terminal has been proposed after evaluation of options

Development option	Domestic terminal capacity	International terminal capacity	Optimal utilization of available infrastructure
New domestic terminal building	✓	✗	✓
New international terminal building	✓	✓	✓
New integrated terminal building	✓	✓	✗

- New International terminal to be commissioned in FY 16
- Estimated cost of New PTB and allied development – INR 875 cr
- Construction has commenced from 1 February 2014

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- T shaped terminal (central processing area with central pier) with departure at first level and arrival at ground level
 - Central processing area (CPA) of 53,550 sqm, aligned in north-south direction
 - 420 m long pier with of 35 m – 75 m width aligned east – west to CPA
- RCC framed structure with an overall height of 24 m
 - Slabs at +5.55 m level, +10.6 m level, +14.5 m level and +18.1 m level.
 - Arrival corridor at +5.55 m level and processing for departure of passengers at +10.6 m

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Key features of proposed new international terminal



Parameter	New International Terminal	Expanded domestic terminal
Terminal type	Two level terminal with departure at first level and arrival at ground level	Single level terminal building. Existing international terminal building to be converted to domestic terminal building.
Design capacity	4,000 peak hour passenger movements per hour – 2,000 arrival and 2,000 departure movements	4,000 peak hour passenger movements per hour – 2,000 arrival and 2,000 departure movements
Terminal area	1,50,000 sqm	46,359 sqm
Estimated construction cost	Terminal cost – INR 650 crore Parking bays – INR 100 crore Elevated road – INR 100 crore Total – INR 850 cr	INR 25 crore
Check-in counters	56 check-in counters with provision for additional 56 check-in counters	37 check in counters
Baggage carousels	3 baggage carousels expandable to 6; Baggage carousels to handle 9 flights simultaneously; provision for handling additional flights	4 baggage carousels
Boarding gates	15 + 4 boarding gates	7 boarding gates
Aerobridges	15 aerobridges	5 aerobridges

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Construction cost and phasing

- Commencement - FY14
- Construction period – Around 36 months
- Estimated Terminal cost - INR 650 crore
- Additional infrastructure cost
 - Elevated Road: INR 100 cr
 - Parking bays: INR 100 cr
 - Conversion of existing international terminal to domestic terminal: INR 25 cr
- **Total cost of New Terminal + Associated Infra – INR 875 cr**

Infrastructure (2013 prices)	FY 2014	FY 2015	FY 2016	FY 2017	Total
New International Terminal	INR 100 cr	INR 250 cr	INR 300 cr		INR 650 cr
Elevated road		INR 50 cr	INR 50 cr		INR 100 cr
Parking bays		INR 50 cr	INR 50 cr		INR 100 cr
Conversion of existing international terminal to domestic terminal				INR 25 cr	INR 25 cr
Total	INR 100 cr	INR 350 cr	INR 400 cr	INR 25 cr	INR 875 cr
<i>Source: CIAL</i>					

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Estimated cost of terminal is one of the lowest in India



- Capital cost for development of the new international terminal estimated to be lowest among other comparable terminals in India
 - Established cost control initiatives and processes of CIAL
 - Efficient terminal design with respect to per unit area per PHP
 - Low cost of terminal development per unit area

Terminal development	Area (sq.m)	Cost (INR cr)	Cost per sq.m
TRV New Terminal Building	32,000	289	90,500
CCU new terminal (initial est)	233,000	2,024	86,904
MAA (domestic and international terminals)	133,142	1,345	1,01,019
Cochin new international Terminal (Final capacity)	150,000	650	43,333

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Source: Industry reports, CIAL

CIAL^x

Tariffs

Aeronautical tariffs have not been increased since 2001



INR crore	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY10	FY11	FY12	FY13
Aeronautical	40	54	62	61	47	65	60	69	81	83	89
Non-aeronautical	21	32	39	49	64	84	113	143	165	193	218
Total	60	85	101	111	112	138	173	212	246	276	307
Non-aeronautical revenue as % of total revenue	35%	37%	38%	45%	58%	61%	66%	68%	67%	70%	71%

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- Consistent focus on enhancing non-aeronautical revenues to keep aeronautical tariffs affordable

Efficient management has helped keep operational expenditure low



S No.	Airport	Opex for FY 2013 (INR crore)	Pax for FY 2013 (million)	Opex per passenger
1	Mumbai	547	30.2	181
2	Delhi	821	34.4	239
3	Kolkata	261	10.1	259
4	Chennai	334	12.8	261
5	Cochin	86	4.9	176

Source: AERA, AAI, CIAL, Secondary Research

Cochin airport has lowest opex per passenger, despite not having economies of scale compared to other large airports

Comparison of aeronautical tariffs at major airports

S No.	Tariff head	Cochin	Delhi	Mumbai	Kolkata	Chennai	Calicut	Trivandrum
1	Landing Fee # (above 100MT)	22,800 + 306 per MT	59,000 + 792 per MT	59,000 + 725 per MT	54,000 + 733 per MT	58,000 + 777 per MT	34, 320+ 471.9 per MT	25,050 + 336.6 per MT
2	Parking / Housing Fee (per hr)	700 + 10 per MT	1,415 + 18.74 per MT	1,426 + 18.88 per MT	1,570 + 9.9 per MT	800 + 10.5 per MT	824 + 15.5 per MT	1,220 + 16.20 per MT
3	UDF	0	452 (dom)* 854 (int)*	274 (dom) 548 (int)	400 (dom) 1,000 (int)	166(dom) 667 (int)	0	0 (dom) 575 (int)
4	Fuel Throughput Charge (per kl)	145	688	688	1,278	1,609	-	-

Notes:

Tariffs benchmarked for FY 2013-14

for international flights

* UDF is charged to both arriving and departing passengers. Values are average rates applicable on arriving and departing pax for long haul flights

Aero tariffs are lowest among all the other major airports of India

- Aeronautical tariffs at CIAL have not been increased since 2001
 - Tariffs were approved by Ministry of Civil Aviation
- CIAL is constructing a new low cost terminal
 - Cost of terminal being financed through available reserves and debt
- CIAL proposes to continue with the existing aeronautical tariffs till the commissioning of the new terminal building (expected commissioning in 2016), subject to –
 - Existing tariffs to continue for Landing, Parking, Housing, Aerobridge charges, Facilitation Component of Passenger Service Fee, Xray Baggage Screening and Cargo charges
 - Tariffs for supply of fuel to aircraft, groundhandling and CUTE are governed by existing agreements and have a built in escalation clause
 - CIAL requests increase in these charges in accordance with the existing agreements

CIA

Thank You

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Annexures

Ownership Structure of CIAL (31 March, 2013)



Equity Partner	% Share
Government of Kerala	32%
Directors, their relatives and associates	37%
BPCL	4%
Air India	3%
HUDCO	3%
State Bank of Travancore	3%
KSIDC, Plantation, KTDFC, KAMCO	2%
Federal Bank Limited	2%
Indian Overseas Bank	1%
Others	13%
Total	100%

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