

## Chandigarh International Airport Limited

No. CHIAL/SEC/2018-19

Date: 1<sup>st</sup> June, 2018

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

**Subject: Submission of CHIAL comments in response to Consultation Paper No. 04/2018 dated 08<sup>th</sup> May, 2018 and stakeholder's consultation meeting held on 30<sup>th</sup> May, 2018 in the matter of determination of FROR to be provided on Cost of Land Incurred by the Airport Operators**

Sir,

This is with reference to CP No. 04/2018-19 dated 08<sup>th</sup> May, 2018 and stakeholder's consultation meeting held on 30<sup>th</sup> May, 2018 in AERA office in the matter of determination of FROR to be provided on Cost of Land Incurred by the Airport Operators. AERA vide above mentioned CP has requested to submit the written comments from stakeholders by 05<sup>th</sup> June, 2018. In this regard, following is submitted:

	AERA PROPOSAL	CHIAL COMMENTS
<b>Scenario 1</b>	Providing a FROR on the cost of land incurred. The land cost does not flow into the RAB since land is a non-depreciable asset. Therefore, the return is provided at the historical cost for a period equivalent to the concession agreement or until the cost of land is recovered by acquirer, whichever occurs first. This involves 62.09% increase in tariff if FROR is provided on land cost.	As per computation suggested by AERA in respect of FROR provided on land cost in Scenario 1, it is submitted that the percentage increase in tariff is huge and the same is not suggested to be charge at Chandigarh Airport. If CHIAL opt for this, it will negatively have impact on passenger traffic because of Strategic location.  However, it is proposed that AERA may please consider/ add cost of land cost in RAB for the purpose of computation of FROR and amortize the cost of land over

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		the period of 30 to 40 years (whichever is suitable to AERA) then such amortization would not be considered as a part of operation and maintenance expense. The Computation Sheet is also enclosed for your kind consideration .
<b>Scenario 2</b>	Amortizing the historical land cost at a fixed rate of 3% p.a. until the time the cost of land is realized. This amortization will be treated as an expense notionally and recorded under the operational expenses of the concerned Airport Operator. This involves 13.30% increase in tariff if return is provided parallel to the amortization of land cost @3%.	it is to mention that AERA has suggested 3% return without consideration Time value of Money Factor. In this regard, AERA may please refer CHIAL comments at Scenario 1 i.e. it is proposed to consider the land cost in RAB for the purpose of computation of FROR and amortize the cost of land over the period of 30 to 40 years/ future control periods (whichever is suitable to AERA) .

In view of fact brought out above, it is suggested that AERA may please consider cost of land in RAB and amortize the land cost over the next Control Periods without passing benefits of depreciation on land.

Thanking You,

Yours truly,

**For Chandigarh International Airport Limited**

  
**Suneel Dutt**  
(Chief Executive Officer)