



Subject: **CIDCO - NMIA: Comments/Suggestions on AERA Consultation Paper No. 04/2018-19**

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Dear Madam/Sir,

Please find below our written comments on the subject for needful.

Best Regards,

M, Mahadev,

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Sub.: Comments/Suggestions on AERA Consultation Paper No. 04/2018-19

1. The lease rent for IGIA as per the Land Lease Deed with AAI is Rs. 100 per annum (ref. Clause 4.1, page 5) and not as mentioned in Table 1.
2. Mechanism for determining the Return on Equity on the land component, may not be easy and it may not be fully recoverable due to its impact on tariffs. Further, permitted return on the land needs to take into account the dividend paid out.
3. In cases where Govt. acquires/contributes land, the cost can be recovered by charging a progressively increasing lease rental/concession fee (in case land is offered on license basis) on the historical cost of land. The same could be made payable over the concession period, commencing post Airport Opening Date (AOD). Suitable discounting/indexation factor may be used.
4. In cases, where land cost is considered as equity, FRoR may be proposed on case to case basis to recover the historical cost of land using a nominal discount factor. The dividends paid out during the period shall be accounted for in the recovery. Effectively, the Govt. equity in the form of land cost shall reduce to zero over the recovery period. Perpetual payment of FRoR on the equity contribution and recovery of appreciated market value of land due to the airport development, may be disallowed.
5. Amortisation of the land cost over the period of the concession, such that it does not adversely impact cash flows of the operator and tariffs, is also agreeable model for cost recovery. The amortization period should preferably commence after the Airport Opening Date especially for greenfield projects. The historical land cost can be recovered using a nominal discount rate.