



भारतीय विमानपत्तन आर्थिक विनिर्मायक प्राधिकरण
सफदरजंग एयरपोर्ट, नई दिल्ली-110003

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तारीख 21/11/2022

भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

FNO- No. AAI/JVC/ Ahmedabad /2022-23

Dated: 21/11/2022

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

Sub:- Submission of AAI's Comments in response to Consultation Paper No.10/2022-23 in the matter of Determination of Aeronautical Tariff for Sardar Vallabhbhai Patel International Airport (SVPIA) Ahmedabad issued by Airports Economics Regulatory Authority of India (AERA)

Dear Sir,

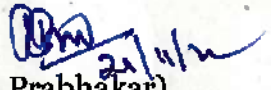
This has reference to AERA's Consultation Paper No.10/2022-23 in the matter of Determination of Aeronautical Tariff for Sardar Vallabhbhai Patel International Airport (SVPIA) Ahmedabad for the third control period (01/04/2021 to 31/03/2026) issued by Airports Economics Regulatory Authority of India (AERA)

AAI's response to Consultation Paper No. 10/2022-23 are enclosed.

This issues with the approval of Competent Authority.

Thanking You,

Yours faithfully,


(R Prabhakar)
General Manager-(F)
(JVC/Tariff)

Enclosed, As above



Airport Authority of India

AHMEDABAD INTERNATIONAL AIRPORT

Response to Airports Economic Regulatory Authority (AERA)'s Consultation Paper No. 10/2022-23 dated October 20, 2022, Determination of Aeronautical Tariff for Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad (AMD) For the Third Control Period (01.04.2021 - 31.03.2026)

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1 Introduction

Airports Economic Regulatory Authority of India ('AERA') has released Consultation Paper No. 10/2022-23 on Aeronautical services in respect of Sardar Vallabhbhai Patel International Airport (SVPLA), Ahmedabad (AMD) for Third Control Period (01.04.2021 - 31.03.2026), ('Consultation Paper' or 'CP') on 20th October 2022.

We hereby present our observations, suggestions, and request in respect of determination of Aeronautical Tariffs for AMD for True Up from 1st April 2016 to 31st March 2021.

2 TRUE UP OF AAI FOR THE PERIOD FROM FY 2017 TILL COD

2.1 Regulatory Asset Base (RAB)

2.1.1 Disallowance of RAB - Assets allocated to Non-Aero

2.1.1.1 AERA's Contentions

"Terminal buildings and related assets:

- *Details of asset: Civil, mechanical, plumbing, electrical, furniture, repair, replacement and modification works of terminal buildings and assets commonly utilised for the terminal buildings.*
- *Allocation proposed by AAI: Though at a broad level AAI has classified such assets as Common, certain assets were classified as Aeronautical.*
- *Issue: The allocation of terminal building and related assets should be based on the terminal area usage ratio (between the area towards aeronautical and non-aeronautical activities). However, some line items in this segment were found to be classified as Aeronautical by AAI. Accordingly, such items have been reclassified as Common.*
- *Allocation proposed by the Study: Common*
- *Impact: Reclassifying these assets from Aeronautical to Common reduces the aeronautical capital additions to the extent of INR 0.58 Cr.*
- *Reference: Exhibit 1 (a)"*

Offices and office equipment:

- *Details of asset: Assets including improvements to office complexes, video conferencing systems, cash counting machines and other equipment.*
- *Allocation proposed by AAI: Though at a broad level AAI has classified such assets as Common, certain assets were classified as Aeronautical.*
- *Issue: Certain office equipment that would get utilised for the overall operations of the airport were classified as 100% aeronautical. Such assets were reclassified as common as they benefit all activities at the airport.*
- *Allocation proposed by the Study: Common*

- *Impact: Reclassifying these assets from Aeronautical to Common reduces the aeronautical capital additions to the extent of INR 0.23 Cr.*

- *Reference: Exhibit 1 (b)"*

2.1.1.2 AAI's Submission

2.1.1.3 The Authority has allocated portion of the Asset to Non-Aero, based on "Study on allocation of assets for SVPIA", AAI has examined the list of assets listed in Exhibit 1 (a) & Exhibit 1 (b) and noted certain assets are specific to the Aero business and has no connection to non-aero, hence allocation to non-aero would result in inequality.

2.1.1.4 AAI confirm list of assets that are purely used for Aeronautical in Exhibit A & Exhibit B.

2.1.1.5 AAI request the Authority to reconsider the assets listed in Exhibit A & Exhibit B as 100% Aeronautical.

2.1.2 Disallowance of RAB – Reclassification of Assets

2.1.2.1 AERA's Contentions

"4.4.5. Procurement of Computer, Printer and Photocopiers:

- *Details of asset: Assets purchased commonly for the airport and for ANS*

- *Allocation proposed by AAI: Common*

- *Issue: Certain assets such as computers and printers were purchased and issued to the airport and ANS. The assets have been bifurcated between aeronautical and ANS assets in the ratio of the actual number of units that were issued to the airport and ANS. However, the assets that are being used for the airport operations were not further bifurcated between aeronautical and nonaeronautical.*

- *Allocation proposed by the Study: Common*

- *Impact: Bifurcating the assets issued for the airport between aeronautical and non-aeronautical reduces the aeronautical capital additions to the extent of INR 0.01 Cr.*

- *Reference: Exhibit 1 (c)"*

2.1.2.2 AAI's Submission

2.1.2.3 AAI had classified the Assets based on the usage of the Assets between Aero and ANS, overview is as follows:

Revised Asset	Classification	Asset description	Aero	ANS	Ref.
150013877.0	Common	Procurement of 10 nos. Computers and printers	70.00%	30.00%	Note 1

Revised Asset	Classification	Asset description	Aero	ANS	Ref.
150013897.0	Common	Procurement of 16 nos. Photocopier machine	87.50%	12.50%	Note 2

Note 1: Out of the total 10 Computers and printers, 7 have been used by Aero division and 3 by the ANS division, based on which assets were segregated

Note 2: Out of the total 16 PHOTOCOPIER MACHINE, 14 have been deployed for Aero and 2 machines has been installed for ANS, based on which assets were segregated

2.1.2.4 The Authority has reclassified the assets based on the study without considering the actual usage of the assets. We humbly request the Authority to reconsider the allocation of Asset.

2.1.3 Disallowance of RAB – 100% allocated to ANS

2.1.3.1 AERA's Contentions

"4.4.6. Guest House:

- Details of asset: Procurement of furniture for Guest House

Allocation proposed by AAI: Aeronautical

- Issue: Since the Guest House is not an aeronautical activity and its use is chargeable, the assets related to the same cannot be considered Aeronautical. Therefore, this asset has been reclassified as non-aeronautical.

- Allocation proposed by the Study: Non-aeronautical

2.1.3.2 AAI's Submission

2.1.3.3 The Authority has applied 100% of the Guest house furniture to ANS, since the furniture at the Guest House is used as common facility by AAI employees, AAI request the Authority to consider allocation based on the Employee head count or Terminal building ratio.

2.2 Ratio's

2.2.1 Notional Terminal building Ratio

2.2.1.1 AERA's Contentions

"4.5.10 The outcomes of the Study on allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1) were as follows.

- AAI's classification of assets into Aeronautical, Non-aeronautical, ANS and Common, was examined by the Study. Wherever required, the assets were reclassified based on the information available in the FAR and the methodology detailed in the Study on the allocation of assets. The decrease in additions to aeronautical Gross Block due to such reclassifications is INR 2.78 Cr.

- The bifurcation of common assets to aeronautical and non-aeronautical is based on the Terminal Area Ratio (ratio of terminal area allocated towards aeronautical and non-aeronautical activities). As per the submissions of AAI, the average Terminal Area Ratio in the Second Control Period is 94.83 : 5.17 (aeronautical : non-aeronautical). However, the Study has considered the ratio to be

92.5 : 7.5 (aeronautical : non-aeronautical) as approved by the Authority in Order No. 14/2018-19, resulting in a reduction of INR 0.36 Cr in the aeronautical capital additions in the Second Control Period (until COD)."

"Study on allocation of Assets dated 16th June 2022:

4.6.2 The Authority had at the time of determination of tariffs for the Second Control Period decided to adopt the Terminal Area Ratio as 92.5 : 7.5 (aeronautical : non-aeronautical) to encourage the growth of nonaeronautical revenues which would cross-subsidise aeronautical charges. However, AAI is yet to achieve such allocation as directed by the Authority. Further it can be observed that in its computations AAI has considered only the specific areas allocated to commercial activities as non-aeronautical. The common areas have not been identified and further bifurcated between aeronautical and non-aeronautical. Therefore, in light of the above, the Terminal Area Ratio has been revised to 92.5 : 7.5 (aeronautical : non-aeronautical) in line with the Authority's decision in Order No. 14/2018-19. The impact of the revision is given below. The details of the assets bifurcated using the Terminal Area Ratio are provided in Exhibit 4."

Table 13: Impact of revision of Terminal Area Ratio as per the Study

Particulars	INR Cr.
Total Assets Additions in SCP classified as Common as per the Study (assets bifurcated using the Terminal Area Ratio) (A)	15.66
Average Terminal Area Ratio as per AAI (aeronautical) (B)	94.83%
Revised Terminal Area Ratio as per Order No. 14/2018-19 (aeronautical) ©	92.50%
Change in Terminal Area Ratio (D = B - C)	2.33%
Impact of Revision of Terminal Area Ratio on Common assets (A × D) (Refer Exhibit 4)	-0.36

2.2.1.2 AAI's Submission

2.2.1.3 Impact of the Disallowance: Capex disallowance of Rs. 0.36 Crores and cascading effect on depreciation. A&G expenses of Rs. 0.07 Crores & Municipal taxes of Rs. 1.38 Crores - Total Disallowance Rs. 1.81 Crores.

2.2.1.4 AAI noted that Authority has factored Notional Terminal Building Ratio at 7.5% uniformly across the control period without bearing actual area utilized for non-aeronautical.

2.2.1.5 AAI submits to the Authority to consider the Actual terminal building ratio for the following reason:

- Higher % of Non-aeronautical are only desired however the ground reality of non-aeronautical business is dependent on multiple factors such as demand, customer behavior, spending pattern, per capita income of the region, etc., hence such standardization approach of the Authority may be detrimental to the Airport operator, further the Authority has ignored the effect of covid which resulted in foreclosure of non-aeronautical contracts.
- AAI submits to Authority that AAI is in business of running the Airports and Non-Aero business in incidental to Airport business further there is no earmarked non-aeronautical space in the Airports.
- AAI submits that the ratios submitted are based on actual floor space usage and increasing the ratio to 92.5:7.5 by comparing with other airports/generally accepted ratios may not reflect the true ground scenario in Ahmedabad Airport.
- AAI submits that Terminal area which is defined as Aon aeronautical area in SCP order has been not used for non-aeronautical purposes and no revenue is generated by AAI. Therefore, it should be considered as aeronautical.
- AAI requests AERA to consider Non-Aero Space based on the actual utilization.

2.2.2 Deemed Employee Head Count considered by the Authority

2.2.2.1 AERA's Contentions

"4.9.5 The Authority had commissioned an independent study to establish the efficient O&M expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2). In addition to the examination of allocation of expenses, the Study also included the internal and external benchmarking of O&M expenses incurred by AAI during the Second Control Period.

4.9.6. The Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2) has allocated O&M expenses into Aeronautical, Non-aeronautical and Common based on the following principles

- *Aeronautical costs: Expenses which are incurred for operation and maintenance of Aeronautical assets were categorised as Aeronautical costs.*
- *Non-Aeronautical costs: Expenses which are incurred for operation and maintenance of Non-Aeronautical assets were categorised as Non-aeronautical costs.*
- *ANS costs: Expenses which are incurred for the operation and maintenance of ANS assets were categorised as ANS expenses.*
- *Common costs: Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical, Non-aeronautical or ANS were segregated as Common expenses.*

4.9.7. Based on the outcomes of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), the Authority has made the following observations regarding AAI's submission of O&M expenses under various heads for the Second Control Period:

b) Revision of the Employee Ratio:

Observation: The Authority noted that in the case of AAI, the costs directly pertaining to ANS employees have been excluded from the O&M expenses, but the ANS employees are considered in the allocation of Common expenses. Accordingly, the Authority has considered the common expenses allocated to ANS employees as deemed Non-aeronautical employees and has recomputed the Employee ratio as shown in Table 23 of the Study on Efficient Operation and Maintenance Expenses (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2).

Impact: The impact on the aeronautical expenses due to the revision of the Employee ratio is a reduction of INR 11.60 Cr. for the pre-COD period.

Reference: Para 5.2.6 and para 5.2.7 of the Study on Efficient Operation and Maintenance Expenses

c) Employee expenses:

Observation: The Authority noted that AAI has considered the entire retirement benefit provided at CHQ as aeronautical. As per Para 14.8 of the Tariff Order No. 14/2018-19 dated 23rd July 2018 for SVPIA for SCP, the Authority had proposed to use the ratio of 95 : 5 (aeronautical : non aeronautical) for retirement benefits provided at CHQ. Accordingly, the allocation of the retirement benefit allocated to CHQ/RHQ was revised.

Impact: The impact on the employee expenses due to the revision resulted in the reduction of the aforementioned expenses by INR 0.86 Cr. for the pre-COD period.

Reference: Para 5.3.2 of the Study on Efficient Operation and Maintenance Expenses.

d) A&G expenses:

Observation: The Authority notes that certain line items like arbitration expenses and legal fees of the A&G expenses were allocated as 100% aeronautical by AAI while line items like "INT/Penalties-Govt" was allocated by AAI using the Employee ratio. However, the Authority proposes to re-allocate the components of the A&G expenses related to the entire airport in the ratio of Gross Fixed Assets and that pertaining to employees in the ratio of Employee Head Count. Further, the various components of municipal taxes were reallocated based on the ratios as recommended by the Study on efficient O&M expenses for SVPIA for the Second Control Period

(summary of the study is given in Annexure 2 and the Study is attached as Appendix 2). For "INT/Penalties-Goot" expense, the Authority notes that it was allocated by AAI using the Employee ratio. However, as per paragraph 14.20.7 of the Tariff Order No. 14/2018-19 dated 23rd July 2018 for SVPIA for SCP, "All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes and levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payment, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be tried up". Hence, the Authority proposes to exclude this expense.

Impact: The impact of the reallocation results in a reduction of A&G expenses by INR 4.33 Cr. for the pre-COD period.

Reference: Para 5.3.3 to Para 5.3.17 of the Study on Efficient Operation and Maintenance Expenses."

2.2.2.2 AAI's Submission

2.2.2.3 Impact of the Disallowance: Rs. 13.99 (Emp Cost of Rs. 11.60 Crs, A&G - 0.91 Crs, Other consumables Rs. 0.86 Crs, R&M - 0.49 Crs, Other owtfow - Rs. 0.13 Crs).

2.2.2.4 AAI has scientifically calculated the employee head count ration, i.e. common Employees have been allocated to Aero, Non Aero and ANS based on the existing employee strength of respective divisions, details of the working is listed below:

Particulars	2016-2017	(2017-18)	(2018-19)	(2019-20)	(2020-21)
No. of Resources					
ANS	162	154	148	151	164
Aero	142	135	148	149	161
Non-Aero	5	4	4	4	5
Common	28	27	26	26	27
Total	337	320	326	330	357
Reallocation of Common Resources					
ANS	14.68	14.19	12.83	12.91	13.42
Aero	12.87	12.44	12.83	12.74	13.17
Non-Aero	0.45	0.37	0.35	0.34	0.41
Total	28.00	27.00	26.00	26.00	27.00
Employees Count after Reallocation of Common Resources					
Aero	154.87	147.44	160.83	161.74	174.17
Non-Aero	5.45	4.37	4.35	4.34	5.41
ANS	176.68	168.19	160.83	163.91	177.42
Total	337.00	320.00	326.00	330.00	357.00
Employee Ratio (Aero: ANS: Non-Aero)					
Aero	45.95%	46.08%	49.33%	49.01%	48.79%
Non-Aero	1.62%	1.37%	1.33%	1.32%	1.52%
ANS	52.43%	52.56%	49.33%	49.67%	49.70%
Employee Ratio for (AERO: Non-Aero)					
Aero	96.60%	97.12%	97.37%	97.39%	96.99%
Non-Aero	3.40%	2.88%	2.63%	2.61%	3.01%

- 2.2.2.5 AAI noted that authority has treated all the common employees apportioned to ANS as non-aero thereby increasing the share of non-aero expenditure.
- 2.2.2.6 The Authority has also not taken cognizant of the following: Authority in the CP noted that "The Study evaluated the basis for computing the Employee Head Count ratio as submitted by AAI and observed the classification to be generally appropriate and in line with the approach of the Authority in other airports"
- 2.2.2.7 Employees relating to HR and A/c's are common resources that that are allocated to all the divisions and treating common employee to non-aero may be incorrect approach. AAI submits to the Authority to revisit the allocation.

2.3 Expenses

2.3.1 Allocation of Expenditure based on Gross Asset value

2.3.1.1 AERA's Contentions

"4.9.5 The Authority had commissioned an independent study to establish the efficient O&M expenses for SVPIA (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2). In addition to the examination of allocation of expenses, the Study also included the internal and external benchmarking of O&M expenses incurred by AAI during the Second Control Period.

4.9.6. The Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2) has allocated O&M expenses into Aeronautical, Non-aeronautical and Common based on the following principles

- Aeronautical costs: Expenses which are incurred for operation and maintenance of Aeronautical assets were categorised as Aeronautical costs.*
- Non-Aeronautical costs: Expenses which are incurred for operation and maintenance of Non-Aeronautical assets were categorised as Non-aeronautical costs.*
- ANS costs: Expenses which are incurred for the operation and maintenance of ANS assets were categorised as ANS expenses.*
- Common costs: Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical, Non-aeronautical or ANS were segregated as Common expenses.*

4.9.7. Based on the outcomes of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), the Authority has made the following observations regarding AAI's submission of O&M expenses under various heads for the Second Control Period:

e) Repairs and Maintenance Expenses:

Observation: The Authority notes that certain line items "Power and generation set", "auto equipment" etc were allocated as 100% aeronautical by AAI. However, the Authority is of the view that these charges should be treated as Common and has proposed to allocate these expenses in the Gross Block Ratio considering that the benefits are accrued to the entire airport. For certain R&M expenses related to "residential building", "cars" etc, the Authority notes that AAI

allocated these expenses as 100% aeronautical. However, these expenses are incurred towards the maintenance and upkeep of vehicles, offices and residential buildings that are used by the employees at the airport. Therefore, the Authority proposes to treat these charges as Common and allocate these items using the Employee ratio. The Authority notes that certain R&M expenses related to "communication equipment", "navigation equipment" etc were allocated as 100% aeronautical by AAI. However, these expenses are incurred in the provision of Air Navigation Services (ANS) and are managed separately by AAI. Therefore, the Authority proposes to exclude the same from the O&M expenses.

Impact: The impact of the reallocation results in a reduction of Repairs and Maintenance expenses by INR 5.76 Cr. for the pre-COD period.

Reference: Para 5.3.18 to Para 5.3.22 of the Study on Efficient Operation and Maintenance Expenses.

f) Utility Expenses:

Observation: The Authority notes that AAI had allocated the water charges using the employee ratio. However, the Authority is of the view that this charge is common to the airport and is not incurred specifically towards offices or employees. Hence, the Authority proposes to allocate this expense in the **Gross Block ratio**.

Impact: The impact of the reallocation results in the reduction of utility expenses by INR 0.06 Cr. for the pre-COD period.

Reference: Para 5.3.27 of the Study on Efficient Operation and Maintenance Expenses.

2.3.1.2 AAI's Submission

2.3.1.3 AAI had extensively reviewed and excluded the portion of Non-Aero Expenditure while submitting the OPEX Cost, further disallowance of expenditure based on GAV results in arbitrary disallowance.

2.3.1.4 AAI submits that the disallowance of Arbitration Expenditure, Legal and Cost of Elect. Spares based on the gross value of the asset may not be accurate representative of the cost driver, further considering AAI has already excluded the relevant cost towards non-aero, further adjustments would result in cascading allocation towards non-aero.

2.3.1.5 R&M: Allocation of R&M cost for non-aero could be fundamentally incorrect approach as Airports does not have separate non-aero customers, further Airports has to incur cost irrespective of non-aero revenue, such disallowance would result in loading of R&M cost to non-aero business which will cascade to increase price of product offered at the airports and fall in Non-Aero Revenue.

2.3.2 Caping of R&M Cost

2.3.2.1 AERA's Contentions

"4.9.9 Rationalisation of aeronautical O&M expenses:

Observation: The Authority had the following observations regarding the rationalisation of R&M expenses.

- The Authority observed that, on the basis of internal and external benchmarking, the R&M expenses incurred by AAI is on the higher side.

- The Authority notes that the R&M expenses (excluding the special case of runway recarpeting) as a % of opening RAB are higher than 7% except for FY 2021 (till COD). The Authority proposes to consider 6% of Opening RAB as the reasonable benchmark for R&M expenses and accordingly rationalise the R&M expenses for AAI for SCP (pre-COD).

Impact: There was a reduction of INR 33.86 Cr. in the O&M expenses due to the rationalisation of R&M expenses.

Reference: Refer Para 5.6 of the of the Study on Efficient Operation and Maintenance Expenses."

2.3.2.2 AAI's Submission

2.3.2.3 Disallowing actual expenditure incurred towards R&M defeats the purpose of performing true up and Efficiency study. Further discourages the Airport operator to spend on the R&M to maintain the quality standard and enhance the customer experience.

2.3.2.4 AAI reiterate that the expenditure towards Repairs and Maintenance has been incurred, further AAI follows rigorous process of awarding contracts.

2.4 Disallowance of CHQ and RhQ Cost

2.4.1.1 AERA's Contentions

"4.9.7. Based on the outcomes of the Study on efficient O&M expenses for SVPIA for the Second Control Period (summary of the study is given in Annexure 2 and the Study is attached as Appendix 2), the Authority has made the following observations regarding AAI's submission of O&M expenses under various heads for the Second Control Period:

g) CHQ/RHQ expenses:

Observation: The Authority notes that as per the true up submissions of AAI, the CHQ/RHQ expenses were allocated as 95% aeronautical and 5% non-aeronautical and it was observed that the CHQ/RHQ expenses also included legal expenses and expenses related to Mumbai JVC Cell which were driving up the CHQ/RHQ expenses significantly. The Authority had the following the observations on the CHQ/RHQ expenses.

- *Administration & General Expenses of CHQ and RHQ: The Authority notes that the legal and arbitration expenses incurred at CHQ/RHQ level should be analysed and distributed on a case-to-case basis. Since, such a breakup has not been provided by AAI, the Authority proposes to exclude the legal expenses from CHQ/RHQ expenses, considering that users should not have to bear the cost of services that are not availed by them.*

- *Pay and Allowances of CHQ and RHQ: The Authority also notes that the portion of JVC employee costs were to be to be paid by MIAL as per Operation, Maintenance and Development Agreement (OMDA) and that it sees no value addition in general of such JVC cells in the tariff determination process or for the provision of aeronautical services at the respective airports. Since these expenses do not bear any cost-relatedness to the aeronautical services provided at the respective airports, the Authority proposes to exclude the Mumbai Joint Venture Cell (JVC) expenses from the CHQ/RHQ expenses. AAI had excluded pay and allowances of employees*

involved in ATM, CNS & Cargo department at CHQ/RHQ while working out the allocation to airport. However, no exclusion has been done for support services of department relating to Human Resource, Finance, Civil etc. AAI had considered 5% of expenses (net off revenue) towards non-aeronautical income. Manpower of CHQ/RHQ is also providing services to activities that are not aeronautical i.e., Air Traffic Control, Communications, Navigation and Surveillance Systems cadres at respective airports for which appropriate adjustment was not carried out. In order to give effect to the reallocation as mentioned, it is considered that 20% of CHQ/RHQ pay and allowances be excluded towards the following:

i. Support services to ANS, Cargo & Commercial at CHQ, RHQ and airport

ii. Officials of Directorate of Commercial

The Authority proposes to consider the remaining balance of 80% of CHQ/RHQ expense to be allocated to the airport.

Impact: The impact of the reallocation results in a reduction of CHQ/RHQ expenses by INR 154.71 Cr. for the pre-COD period.

Reference: Para 5.3.30 to Para 5.3.35 of the Study on Efficient Operation and Maintenance Expenses."

2.4.1.2 AAI's Submission

2.4.1.3 Legal Exp: AAI clarifies that legal and Arbitrary cost at Chq/RhQ are cost incurred at the Corporate and are not allocatable to any specific airport, hence allocated across the Airports.

2.4.1.4 Mumbai JVC: AAI submits that salaries of coordination cell was misclassified as "Mumbai JVC" however these employees were working for western region(Regional Head Quarters) . Hence AAI had allocated cost to the all the airports in the western region. AAI submits to the Authority that the cost relating to Regional Headquarters wrongly booked in Mumbai Coordination Cell may be allowed.

2.4.1.5 20% Disallowance of Employee Cost: AAI submits to the Authority that CHQ and RHQ cost has been allocation to ANS, and balance of allocation has been divided to Aero and Non-Aero in the ratio of 95: 5. Further Non Aero employee as % of overall employee (after reallocation of support staff) is less than 3%

2.4.1.6 AAI reiterates that costs are genuinely incurred by the AAI and AAI also submits that it is underway in performing and submitting independent study on CHQ/RHQ cost allocation for all Airports.

2.4.1.7 AAI request the Authority to revisit the CHQ/RHQ cost

2.5 Return on Land

2.5.1 Disallowance on return of Land

2.5.1.1 AERA's Contentions

"4.8.3 True up of Return on Land

The Authority notes that AAI has claimed return on land for INR 0.62 Cr. as part of its true up submission for the pre-COD Period. The Authority proposes to draw reference to the following clauses prescribed in its Order No. 42/2018-19 dated 05th March 2019, regarding determination of FRoR on the Cost of Land:

- As per para 4.1.1 of the aforementioned order, the Authority decides that in case the land is provided to the airport free of cost, no return shall be given on the land.
- As per para 4.1.2, the Authority states that return on land shall be provided on the cost if (provided it is not free of cost) it is used for aeronautical purposes only.
- As per clause 4.1.8., the aforementioned order would take effect from the next control period.

4.8.4. As return on land should be sought prospectively and not retrospectively (as per Clause 4.1.8 of the aforementioned Order), the Authority is of the opinion that return on land will not be included in the true up calculation. Hence, the Authority proposes not to allow any return on the cost of land as part of true up of the pre-COD period.

4.8.5. Further, AAI has submitted that considering the Airport has been transferred to Ahmedabad International Airport Limited w.e.f. 07th November 2020, un-amortised cost of the land may be allowed to be claimed in FY 2021. However, the return on cost of land is due in the case that the land is purchased by the Airport Operator from private parties or from government. Since, in the case of SVPIA, w.e.f. COD, AAI is not the airport operator, the Authority is of the considered view that AAI is not eligible to claim return on the cost of land post COD. Hence, the Authority proposes not to consider Return on Land claimed by AAI as part of True up for the pre-COD period.

2.5.1.2 AAI's Submission

2.5.1.3 AERA's guidelines Ref. No. Order No. 42/ 2018-19 - In the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India

2.5.1.4 The Guidelines aims to provide return on investment in land for operating the Airport, in light of this, AAI submits to the Authority to consider return on the investment made by the Airport owner due to the following:

2.5.1.5 AAI continues to be the owner of the Airport; the Airport has been leased to the operator under the GoI's PPP scheme hence AAI should not be deprived of return on investment on the land parcel. Further, AAI submits that Amortized land cost shall be added as part of the tariff.

2.5.1.6 Further, compensation has been paid by AAI as per the court direction.

3 Exhibits

Exhibit A: List of Assets used for Aeronautical services

Asset Class Name	Asset	Aero Study ref.	Asset description
Plant & Equipment-Fr	90034573	Exhibit1(a)	Augumentation of power supply system for various
Plant & Equipment-Fr	90034580	Exhibit1(a)	Augumentation of power supply system for t-1
Plant & Equipment-Fr	90034581	Exhibit1(a)	Replacement of existing mhl fittings by led t-2 ah
Plant & Equipment-Fr	90034641	Exhibit1(a)	Replacement of existing ups of various at ahmd
Plant & Equipment-Fr	90034642	Exhibit1(a)	Replacement of existing ups of various at ahmd t-1
Plant & Equipment-Fr	90034768	Exhibit1(a)	Sitc of 04 wi-max modem at ahmd
Plant & Equipment-Fr	90034771	Exhibit1(a)	Sitc of wireless router at ahmd
Plant & Equipment-Fr	90035196	Exhibit1(a)	Modification in ahu for automation at ahmd
Plant & Equipment-Fr	90034585	Exhibit1(a)	Upgration of bms software for havc t-2 ahmd
Plant & Equipment-Fr	90035791	Exhibit1(a)	Repair & overhauling of 30000 ltr capacity
Plant & Equipment-Fr	90036572	Exhibit1(a)	Shifting and itc of 425 tr centrifugal chiler ahmd
Plant & Equipment-Fr	90036675	Exhibit1(a)	Sitc of air curtains at t-1 different location.
Plant & Equipment-Fr	90036869	Exhibit1(a)	Provision of high volume low speed fans t-1 bldg.
Plant & Equipment-Fr	90036961	Exhibit1(a)	Replacement of batteries for ups intallated in t-2
Plant & Equipment-Fr	90036991	Exhibit1(a)	Replacement of conventional fittings with led
Plant & Equipment-Fr	90036992	Exhibit1(a)	Provision of power supply at fids ups room-t-1.
Plant & Equipment-Fr	90040324	Exhibit1(a)	Integration & up-gradation of arrival & departure
Plant & Equipment-Fr	90043322	Exhibit1(a)	Repla of cooling tower, pumps, softener & panel-t-1
Plant & Equipment-Fr	90040390	Exhibit1(a)	Replacement augmentation of it networking equipme
Office Appliances-Fr	150011459	Exhibit1(a)	Purchase of network switch
Office Appliances-Fr	150012367	Exhibit1(a)	Procurement of cat-6 cable
Office Appliances-Fr	150012367	Exhibit1(a)	Procurement of cat-6 cable
Plant & Equipment-Fr	90040422	Exhibit1(a)	Procurement of 1 no air compressor-ahmedabad
Plant & Equipment-Fr	90035298	Exhibit1(a)	Sitc of comp kiosk at ahmd
Furniture & Fixtures	110015040	Exhibit1(a)	Supply of 125 no three seater chair airport termi
Furniture & Fixtures	110015249	Exhibit1(a)	Procurement of 11 heritage furniture article for
Plant & Equipment-Fr	90033227	Exhibit1(a)	Prov of hydro pneumatic pumping system with plc

Asset Class Name	Asset	Aero Study ref.	Asset description
Furniture & Fixtures	110015142	Exhibit1(a)	Procurement of 10 no. Stainless steel table
Office Appliances-Fr	150012513	Exhibit1(a)	Procurement of three seater with 4 arms-310 qty.
Plant & Equipment-Fr	90046759	Exhibit1(a)	Ahu, valves & modification of piping in t-1

Exhibit B: List of Assets used for Aeronautical services

Asset Class Name	Asset	Aero Study ref.	Asset description
Plant & Equipment-Fr	90034772	Exhibit 1 (b)	INTEGRATED ATTENDANCE DEVICE&FINGURE AT AHMD
Plant & Equipment-Fr	90034817	Exhibit 1 (b)	SITC OF VEDEO CONFERENCING AT AHMD
Office Appliances-Fr	150010934	Exhibit 1 (b)	Supply of 15 HP desktop Computer
Office Appliances-Fr	150010984	Exhibit 1 (b)	Procurement of 11 Printers & 5 scanners
Office Appliances-Fr	150010985	Exhibit 1 (b)	Procurement of 07 Scanners for Eoffice
Office Appliances-Fr	150011269	Exhibit 1 (b)	PROCU- 7 DESKTOP COMPUTER (HP Pro) 406 G1 MT
Building Freehold	50010571	Exhibit 1 (b)	SITC OF DRINKING WATER FOUNTAIN AT SVP INTNL APT
Plant & Equipment-Fr	90034659	Exhibit 1 (b)	SITC of Drinking water fountain at -AHMD
Plant & Equipment-Fr	90039478	Exhibit 1 (b)	PROVISION OF WATER COOLER,RO SYSTEMS & AIR COOLERS
Plant & Equipment-Fr	90040325	Exhibit 1 (b)	PROVISION OF DRINKING WATER FOUNTAIN IN T-1
Office Appliances-Fr	150016106	Exhibit 1 (b)	PROCUR 1 NO. CASH COUNTING MACHINE FOR FINANCE SEC
Plant & Equipment-Fr	90037178	Exhibit 1 (b)	purchase of mobile
Plant & Equipment-Fr	90042676	Exhibit 1 (b)	PROCUREMENT OF 1 NO CAR WASHER
Furniture & Fixtures	110015139	Exhibit 1 (b)	PROCUREMENT OF GODREJ CHEST FOR TERMINAL-2
Office Appliances-Fr	150015460	Exhibit 1 (b)	PURCHASE OF 2 NOS MOBILE PHONES FOR TERMINAL MANAG
Office Appliances-Fr	150011823	Exhibit 1 (b)	PROCURE OF 8 NOS. ACER-VERITON M-200 H-110 DESKTOP
Plant & Equipment-Fr	90036998	Exhibit 1 (b)	PROCUREMENT OF 2 NOS. FRANKING MACHINE