

To,

Director (P&S, Tariff)  
Airports Economic Regulatory Authority of India (AERA),  
AERA Administrative Complex,  
Safdarjung Airports,  
New Delhi – 110002

Subject : Response to Ahmedabad International Airport consultation paper  
Reference : Consultation Paper no 10 /2022-23 dtd. 20<sup>th</sup> Oct'2022

Dear Sir,

This is with reference to the above referred consultation paper for Ahmedabad Airport for Third control period. We have following comments to the consultation paper for your kind consideration:

- 1. Cost of Equity:** AERA considered cost of equity of Ahmedabad Airport as average of cost of equity of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit. We suggest the regulator to conduct a specific study for Airport as each Airport has specific risk due to competition, catchment area and demography of passenger, connectivity, quantum of passenger etc.
- 2. Cost of Debt:** AERA considered cost of debt of Ahmedabad Airport as average of cost of debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall consider the forecast for future cost of: (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt.
- 3. UDF Pass Through:** In para 6.2.1. & 6.2.2. of abovementioned consultation paper AERA proposed following: -

*"The Authority notes that AIAL has considered only billable ATM, after excluding ATM traffic covered under the RCS scheme and aircrafts with capacity less than 80-seater. AIAL has assumed the share of such ATMs to be approximately 15% to 20% over the Third Control Period based on historical trends. However, the Authority is of the view that RCS scheme is promoted by the Government of India with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered by Central Government, State Government and the Airport Operators. As this*


*scheme is promoted to encourage small aircrafts, the flights operating under this scheme are not eligible to be claimed as a pass through/ exemption. The Authority notes that out of the total exempted traffic submitted by the Airport Operator (15% to 20% of the total domestic ATMs), 1.5% to 3% constitutes flights operating under the RCS Scheme and the balance pertains to non-RCS flights. Hence, the Authority has considered the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity non-RCS flights that are exempted from landing charges.”*

*“Similarly, Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. AIAL cannot claim any pass through regarding UDF on such categories and this is followed by AERA across at all Major Airports. Therefore, there is no reason to consider the billable PAX traffic separately, as the Authority follows a consistent approach across all Major Airports, that naturally accounts for such considerations while projecting aeronautical revenues.”*

In this regard would like to highlight that this approach of AERA is not in line with expected principal of regulatory which ensures timely and complete recovery of approved ARR. This approach of AERA will result into reduction in UDF and consequently not allowing Airport operator to timely recover its approved ARR. Further, shortfall in ARR recovery will also carry opportunity cost which also is not in public interest.

Thanking you

For Delhi International Airport Ltd.



K Narayana Rao  
Director  
Date: Nov 17<sup>th</sup>, 2022