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# भारतीय विमानपत्तन प्राधिकरण AIRPORTS AUTHORITY OF INDIA

F.No. AAI/JVC/MoPA-Tariff CP/2023-24

Dated 27.09.2023

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

**Subject:** Airports Economic Regulatory Authority (AERA)'s Consultation Paper No.11/2023-24 dated 31<sup>st</sup> August 2023 for Determination of Aeronautical Tariff for Manohar International Airport (GOX) for the First Control Period (01.04.2023 - 31.03.2028)

**Reference:** Submission of AAI's comments in response to consultation paper No.11/2023-24 issued by Airports economic Regulatory Authority of India (AERA)

Sir,

This has reference to AERA's consultation paper No.11/2023-24 dated 31.08.2023 in the matter of Determination of Aeronautical Tariff for Manohar International Airport (GOX) for the First Control Period (01.04.2023 - 31.03.2028).

In this regard, AAI's response to consultation paper No. 11/2023-24 is enclosed herewith.

This issues with the approval of the Competent Authority.

Thanking you.

Yours sincerely,

( V. Vidya )

Executive Director (JVC/Tariff Regulatory)

Enclosures: As stated above

etc

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## **MANOHAR INTERNATIONAL AIRPORT**

**Comments of AAI on Airports Economic Regulatory Authority (AERA)'s Consultation Paper No. 11/2023-24 dated 31<sup>st</sup> August 2023 for determination Of Aeronautical Tariff for Manohar International Airport (GOX) for the First Control Period (01.04.2023 - 31.03.2028)**

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**determination of tariff for MOPA Airport.** Otherwise, it will result, in case of MOPA Airport, in lower tariff per passenger, creating an unequal playing field.

## 2. Capital Expenditure

- **Normative Cost:** While determining the cost of apron for MOPA, AERA has determined at a rate of Rs.7253 per sqm using the Normative Approach as per Order 07/2016-17 (*Normative Approach To Building Blocks in Economic Regulation of Major Airports*). However, in the case of Tariff Order 16/2023-24 dated 15/09/23 for Srinagar International Airport, AERA has determined a normative cost of Rs.7048 per sqm.
- In case of MOPA Airport, the Normative Cost of Rs.7253 per sqm. is 2.93% higher than the Normative cost used for AAI's Srinagar Airport, which clearly shows that there are not uniform **Normative costs for all airports**. AAI Airports also require same amount of capex per sqm which private airport needs as there are not different service standards for private & AAI airports.
- Also, AAI would like to highlight that as per the Authority's Order No.7/2016-17 (*Normative Approach To Building Blocks in Economic Regulation of Major Airports*) the unit normative cost for Apron (Rs. 4700 per sq. m.) and Terminal Building (Rs. 65000 per sq. m.) is inclusive of all contingencies and taxes.
- The Authority vide its order 03/2028-19 for Chennai Airport had revised the unit normative cost for terminal building from Rs.65000 per sqm to Rs.1,00,000 per sqm.
- In AERA's order 03/2018-19 for Chennai Airport, the estimation for Terminal Building was done on block cost basis without adjusting for inflation and was restricted to Rs. 1,00,000 per sqm. which is inclusive all soft costs and applicable taxes. This is the approach followed in subsequent tariff orders of Varanasi, Amritsar and Trichy Airports.
- **The CAPEX was treated within the Normative limits for these AAI airports and any cost beyond the Normative limits was disallowed.**

## 1. Traffic for First Control Period

- While determining the tariff, apart from Aggregate Revenue Required (ARR), the number of passengers is the most important factor because the ARR is divided by number of passengers to determine the Yield Per Passenger. In case of AERA's Consultation Paper No. 11/2023-24 dated 31<sup>st</sup> August 2023 for determination Of Aeronautical Tariff for Manohar International Airport (GOX) for the First Control Period (01.04.2023 - 31.03.2028), AERA has assumed the passenger traffic as per the report issued by CRISIL in December 2021 which has taken the initial projected traffic in 2023-24 as 13.18 million passengers for entire Goa. Post 2023-24 an annual growth rate of 13.40 % and 5% for domestic passengers and international passengers, respectively, has been assumed. This results in a total traffic for Goa of 85.23 million passengers for the period 2023-24 to 2027-28.
- The passenger numbers forecasted by M/s CRISIL are based on econometric approach, which is a hypothetical concept and when compared to actual traffic number for 2022-23, the projections are found to be very much on the higher side.
- In case of and Tariff Order 04/2022-23 for Dabolim Airport dated 22/6/2022 the % share of passenger traffic projected and divided between Dabolim and MOPA was approx. **60%:40%** but in Consultation Paper 11/2023-24 for MOPA Airport, the %share between Dabolim and MOPA has changed to approx. **40%:60%**. The share of traffic between MOPA Airport and Dabolim Airport **cannot be different in the tariff order of two airports and** same division of traffic between Dabolim & MOPA which was used in Dabolim shall only be used for MOPA for consistency & equity ensuring fair play.
- Also, it is pertinent to mention that AERA in its CP 11/2023-24 has stated that a substantial portion of the international traffic will move to MOPA from Dabolim, which should not have been stated without any basis and it may also affect market sentiment for Dabolim airport. AAI would like to highlight that ratio of projected traffic has been unreasonably changed in the Consultation Paper. This is not correct and hence **it is requested that the same ratio which has been used in the case of determination of tariff for Dabolim Airport should be used for**

- However, in the case of Ahmedabad Airport the Normative Cost of Rs. 1,00,000 per sqm was adjusted to inflation which came to Rs.1,12,966 per sqm that is almost 12% higher than AAI airports. This amount already contained service tax @12%. But, AERA, when determining the CAPEX for the terminal building, added GST @18% to this amount instead of 6%. Hence, the effective tax rate is higher than 18%. Soft costs were considered separately.
- Similarly, in case of Lucknow Airport, the Normative Cost of Rs. 1,00,000 per sqm was adjusted to inflation which came to Rs.1,31,649 per sqm. This amount also contained service tax @12%. However, in this case AERA added a differential tax component of 6% to the CAPEX to bring it in line with GST @18%. In Lucknow Airport soft costs were considered separately as well.
- **It is requested that AERA may review the methodology adopted for calculation of Normative cost at different airports and ensure that a uniform methodology is adopted to all airports & provide level playing field to all airport operators.**

### 3. General Capex

- Another important issue we would like to bring out the treatment in case of 'General CAPEX' proposed in the Consultation Paper 11/2023-24 for MOPA Airport. It seems that as per the consultation paper, an amount of Rs 50 crores for the first control period @ Rs.10 crore per annum has been proposed by AERA for 'General CAPEX' during the control period .
- AAI would like to highlight that there are no directions/guidelines for allowing general capex by AERA. Also, in case of its airports any unplanned capex is only allowed by AERA during True Up and after submission of justification. **So, it is requested that similar treatment is extended to AAI airports in light of AERA's order for 'General Capex' for MOPA Airport.**

### 4. Comments on Tariff card of MOPA

The Consultation Paper unlike in the case of AAI airports, is silent about what has been the tariff proposed by AERA. Therefore, it does not allow AAI to make any

meaningful comment. We would request that AERA should first propose tariff based on the projection of traffic and the ARR calculated & presented in the Consultation Paper. This has also been the practice of AERA as seen in all AAI airports' consultation papers and it is expected that AERA should continue to follow the same practice.

In addition, AAI has already furnished comments on the adhoc Tariff Order no 19/2022-23 dated 26/8/2022 vide letter NO.AAI/CHQ/Tariff/MOPA/2022-23 /183 dated 31/1/2023 whereby AAI has raised its concern against the very low tariff given by AERA to MOPA and has requested the Authority to issue Final Tariff order at the earliest.

AAI would like to know what tariff would be given by AERA and how much will be unrecovered ARR in this control period. **It is submitted that there should be no unrecovered ARR for MOPA Airport** and as any unrecovered ARR will result into lower tariff for MOPA Airport in this Control Period and will create a situation wherein initially MOPA, would get lower tariff and in subsequent control periods, when there is less competition from Dabolim Airport, MOPA would recover this shortfall in ARR by charging higher tariffs.

In view of this, it requested that the **Consultant Paper should be amended and clear picture of proposed tariff should be projected** and then comments from others including AAI should be obtained. The entire ARR should be recovered in this control period itself without leaving any uncovered ARR for future control period