

Letter No. - GGIAL/AERA/2023-24/1801

Date – 09th Oct'2023

To,

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airports,
New Delhi – 110003

Sub: Submission of the response to the stakeholders comment on Consultation Paper for the 1st Control Period of Manohar International Airport, Mopa, Goa (GOX).

Reference: Consultation Paper no 11/2023-24 dated 31.08.2023

Dear Sir,

We write with reference to the consultation paper issued by the Authority for the Manohar International airport captioned above. The Authority in the consultation paper has directed GGIAL to submit counter comments on stakeholders' comments to the consultation paper latest by 9th October 2023.

We hereby submit our following response on stakeholders' comments to the consultation paper for your kind consideration: -

- 1) Response to FIA comments is enclosed as "**Annexure 1 – FIA**".
- 2) Response to IATA comments is enclosed as "**Annexure 2 – IATA**".
- 3) Response to AAI comments is enclosed as "**Annexure 3 – AAI**".
- 4) Response to AIASL comments is enclosed as "**Annexure 4 – AIASL**".

Please note we also received comments from ASSOCHAM, APAO and Lucknow International Airport. However, we are not responding to their comments as we agree with their comments.

Thanking you

For GMR Goa International Airport Ltd.



K Narayana Rao
Director

Annexure 1 – Response to FIA Comments

Reference Annexure A of FIA comments: - Tariff Card

GGIAL's Reply: - The Tariff Rate Card proposed by GGIAL is aligned with the ARR proposed by the Authority in its Consultation Paper dated Aug 31, 2023. The tariff as proposed by GGIAL is required to sustain effective operation and maintain economic viability of the Airport. The FIA has opposed the levy of the tariff proposed by GGIAL without providing any rationale. We request the Authority to allow full recovery of the allowed Target Revenue within the Control Period to maintain the economic viability and healthy operations of the Airport.

Reference Annexure B of FIA comments:

S. No. 1 of FIA comments: - Revenues from Air Navigation Services (ANS)

GGIAL's Reply: - FIA proposed that revenue from Air Navigation Services should form part of aeronautical revenues, and accordingly, AERA should take into account the corresponding revenue and revise the tariff card. In this regard, it is stated that in case of GGIAL, the designated GOI Agency shall be entitled to levy, collect and appropriate the Route Navigation Facilities Charges from airlines in accordance with the Applicable Laws. This can be seen from the Clause 32.2.2 of the Concession Agreement which is reproduced below.

“32.2 Collection of Navigational Charges

32.2.1 The Designated GOI Agency shall be entitled to levy, collect and appropriate the Route Navigation Facilities Charges from airlines in accordance with Applicable Laws. In the event of failure of any airline to pay such charges, the Designated GOI Agency shall be entitled to suspend provision of such service to the airline and take such steps as it deems fit to recover the charges from such airline.”

It is apparent from above that these services cannot be undertaken by GGIAL, hence, no revenue accrues to GGIAL corresponding to Air Navigation services.

S. No. 2 of FIA comments: - Methodology for Tariff Determination – Hybrid Till Vs. Single Till

GGIAL's Reply: - In this regard we would like to refer to para 32.3.2 of the concession agreement awarded to GGIAL wherein the mechanism of till framework is made applicable to GGIAL. The relevant paragraph of the concession agreement is reproduced below: -

“32.3 Principles of Determination and Revision of Aeronautical Charges

32.3.2 The Gol has, vide its letter no. F. No. AV.2101111212013-AD dated April 13, 2015, approved the 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions of this Agreement. For avoidance of doubt, revenues of the Concessionaire from City Side Development shall be excluded from the shared-till framework for the determination and regulation of the Aeronautical Charges.”

It is evident from above that the application of till shall be 30% (thirty per cent) shared till framework for the determination and regulation of the Aeronautical Charges at the Airport, with the exclusion of revenues from City Side Development.

Further, reference is invited to AERA order bearing no. 14/2016-17 dated 12th Jan 2017 (issued on 23rd Jan 2017) in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provision of the National Civil Aviation policy 2016 (NCAP-2016) approved by Government of India. In the stated order the Authority had decided that,

"The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenue will be used to cross subsidize aeronautical charges. Accordingly, to that extent the airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory till, shall remain the same.

Hence, the objection of FIA is not sustainable.

S. No. 3 of FIA comments: - Related Party Transactions -

GGIAL's Reply: - With respect to related party transactions, we would like to state that the entering into such transactions is not prohibited and there is no substance in alleging the impact of such transactions on Airport revenues. In fact, these allegations are merely on the basis of FIA's surmises and conjectures. We have ensured that (a) the provisions of Concession Agreement ('CA') have been complied with; and (b) tendering and awards for services is based on competitive, transparent and fair process; GGIAL is required to adhere to following principles while awarding any RPT contracts: -

- Prior written consent from Govt. of Goa
- Transaction to be on arm's length basis and in compliance to the provisions of Company's Act
- No shareholder or KMP that has an interest in the contract to be involved in the design of the contract or contracting process
- Independent Probity Auditor to be appointed to review and monitor the tender
- Audit Committee headed by the nominee Director of Govt. of Goa to be responsible for auditing all the RPTs

Compliance with respect to CA provision for Related Party Transactions

- In compliance to CA provisions, GoG vide its letter dated 14th Feb' 2017 provided the selection procedure to be followed by GGIAL for appointing an independent probity auditor to review and monitor the related party tendering process.
- Following the above procedure and after undertaking competitive bidding process, GGIAL selected the services of M/s BNSPY & Associates for providing probity audit services while undertaking any RPT transaction by GGIAL
- For entering into any RPT, GGIAL follows the SOP approved by Govt. of Goa that is in compliance with the provisions of CA and procurement policy adopted by the Board.

- Typical Process adopted by GGIAL while undertaking any bidding wherein RPT is also participating in the tendering process:
 - Probity Auditor Appointment: Probity Auditor is appointed with the approval of the Board of Directors of GGIAL. The scope of the Probity Auditor includes the following:
 - To review and monitor the tender to ensure complete arms' length arrangement;
 - To oversee the bid process in line with the requirements of the CA;
 - To certify that the entire tender process has been monitored and conducted on arms' length basis and in compliance to the provisions of the CA and the Companies Act, 2013
 - Tender notice is published in Newspaper and also uploaded on our website <http://www.gmrgroup.in/GMR-Goa-International-Airport.aspx>
 - Pre bid Queries received from the bidders are clarified by the Technical Team & responses are uploaded on e-procurement platform.
 - Bidders are required to submit their proposal in two cover system – Technical & Financial Price online, within the bid submission end date
 - Technical Bids are open online and provided to Technical team for evaluation. If required, bidders are asked to make technical presentations
 - Post technical evaluation and qualification, financial bids of qualified bidders are opened online
 - If required, negotiations are undertaken with bidders with the objective to optimize the offerings
 - If the Related Party of GGIAL becomes the selected bidder on the completion of the bidding process, before the award of the contract, the proposal is submitted to the Govt. of Goa for concurrence
 - Post GoG concurrence, the same is presented to Audit Committee and to the Board of Directors along with the certificate issued by the Independent Probity Auditor, for its approval.

GGIAL has strictly adhered to the concession agreement guidelines while awarding contract to related party. Further, GGIAL also submitted Probity Auditor Report & GoG approval to AERA. Hence, the objection of FIA is not sustainable.

Further, FIA requested the Authority to review the matter in which AIASL mentioned that it was not allowed to conduct Ground handling business at the Airport. In this regard it is stated that, GGIAL has developed the Manohar International Airport (“**MIA**”) having the terminal building capacity and the current forecast of annual passenger throughput at less than 10 million passengers per annum. With

this low passenger handling, the business proposition and the government guidelines permit one ground handler at the MIA.

Para 2.5 of the AIC, dated 25th Feb 2022, pertaining to Grant of Permission for Providing Ground Handling Services at Airports Other than those belonging to the Airports Authority of India ("policy"), reads as follows

"2.5 At the airport having annual passenger throughput of less than ten million passengers per annum, based on the traffic output and airside and terminal building capacity, the airport operator may decide on the number of ground handling agencies, not exceeding three, including that of, - (a) the airport operator or its joint venture or its hundred percent owned subsidiary; (b) a Joint Venture or a subsidiary of Air India; and (c) any other ground handling agency appointed by the airport operator through a transparent bidding process."

In line with the Policy and business requirements, we have followed a competitive bidding process and awarded the license to the selected bidder for undertaking Ground Handling services at MIA. As part of the bidding process, RFP was floated during Mar'2021 and award for GH agency was formalized by execution of the agreement in Feb, 2022.

Going forward, as our business grows and the passenger throughput crosses 10 million passengers per annum, we shall ensure that there will be three ground handling agencies.

It is also pertinent to note that the charges for ground handling services are regulated by AERA with the purpose to check the levy the excessive charges. Hence, the objection of FIA is not sustainable.

S. No. 4 of FIA comments: - Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the First Control Period

Normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13th June, 2016: -

GGIAL's Reply: - FIA requested to apply the normative and pressed that the non-essential capital expenditure to be put on hold. In this regard, it is stated that the assessment of expansion/modification plan of the Airport and its phasing is a technical matter, which requires analysis by the domain expert. AERA Order No. 7/2016-17 dated 13th June, 2016 does not limit the incurrence of capital expenditure at the normative limits. As per the order itself, such capital expenditure amount was merely tentative at the time of issue of that order made more than seven years ago. The Independent Consultant M/s KITCO appointed by the Authority has performed an in-depth analysis of the submissions made by GGIAL towards Capital Additions and RAB. In this respect, the Independent Consultant has performed the following functions:

- i. Examined the proposal of GGIAL, Mopa, Goa in terms of the designated capacity of the airport/scope with reference to Passenger Growth/Cargo volumes/Air Traffic Movement and assessed cost effectiveness of the proposal.
- ii. Examined the Building standards, Designs and Pavement works including Cost thereon proposed by GGIAL, Mopa, Goa to be in line with IMG norms/IATA/ICAO norms.
- iii. Analyzed the reasonableness of the proposed cost with reference to the Tentative Ceiling decided by the Authority vide order No. 7/2016-17 dated 13.06.2016 based on the details of the rates and quantity as per Government / Industry approved norms.

iv. Sought documentary evidence and verified the process of approval of CAPEX projects including bidding process for award of various work orders and justified reasonableness of Time Schedule of Completion of work proposed by GGIAL, Mopa, Goa.

Further, it should be noted that the Independent Engineer appointed by GoG has recommended the capital costs and which has been approved by GoG. Hence, the entire project cost has gone through the review process by the independent consultants appointed by AERA and GoG. They have seen the efficiency of the capital expenditure.

Further, we would like to refer to our comments pertaining to disallowances of capital cost submitted vide our response dated 29th September 2023 and request the Authority to consider them favourably.

Capitalization of Contingent GST recoverable

GGIAL's Reply: - Pending decision of Hon'ble Supreme Court w.r.t. GST input credit, FIA requested AERA to consider GST recoverable asset amounting to Rs. 368 Cr amount which is contingent in nature keeping in view the principles of reasonableness & efficiency of capex.

At the outset, it is important to note that the Hon'ble High Court of Orissa, vide its order dated 17 April 2019 (Order), in *Safari Retreats Private Limited Vs. Chief Commissioner of Central Goods & Service Tax [W.P. (C) 20463 of 2018]*, allowed availment of Input Tax Credit (ITC) on goods and services used for construction of immovable property and used in the course or furtherance of business.

Based on the aforementioned judgement, GGIAL, being a registered dealer under the GST Act, took a possible contention that it is statutorily entitled to avail of the benefit of taking credit of the input tax (GST) charged in respect of works contract services which were consumed or utilized by it for the construction of the Mopa Airport and set off the same against the GST payable on the output supplies rendered by it which are in the nature of letting out space / facilities to various airline operators and other parties / concessionaires.

While the above contentions was taken, the Revenue Department filed an appeal in the Hon'ble Supreme Court against the judgement of the Hon'ble Orissa High Court. Separately, the Directorate General of Goods and Service Tax Intelligence issued a Show Cause Cum Demand Notice to GGIAL under Section 73 of the CGST Act, 2017 for availment of ITC as mentioned above.

Pending the final decision by the Hon'ble Supreme Court and other connected matters, GGIAL reversed the GST recoverable amount accumulated till March 31, 2023 and capitalized against the respective assets / CWIP in the books of accounts during FY 2022-23, which are duly audited the statutory auditors of GGIAL, while reserving its right to claim the ITC in case of a favourable decision from the Hon'ble Supreme Court.

With the aforementioned treatment, the input tax credit on the accumulated GST amount in respect of works contract services is currently not available to GGIAL and hence blocked. In effect, GGIAL is deprived of the benefit of availing ITC, whereby it has to discharge and pay the GST payable on the output supplies rendered by it as mentioned above. This treatment is to give a just and equitable protection to GGIAL and not to go against the stated rules and demand notice issued by the competent authorities, while reserving its right to avail once this matter is judicially resolved.

Taking into consideration the above stated facts, the prevailing circumstances, and prudent accounting principles, GGIAL has capitalized the accumulated GST amount in the books of accounts. Any different treatment to such GST amount is dependent upon the decision of the Hon'ble Supreme Court. The Authority, after due consideration of the facts of the matter, has proposed to consider it as part of RAB, while noting that the same will be reduced from RAB from the year in which the said addition was considered as part of RAB.

It is our respectful submission that demand of FIA for disallowance of the capitalization of this accumulated GST amount is highly objectionable. It would lead to denial of fair returns to the Airport Operator and shall inevitably impose an unjust economic burden.

Terminal Building Ratio ('TBLR')

GGIAL's Reply: - FIA requested AERA to consider higher "TBLR" similar to other bigger Airport like MIAL also requested to undertake detailed scrutiny examination with the assistance of independent study for asset allocation.

In this regard it is stated that, GGIAL in its MYTP submission considered Terminal building ratio as 91.03 : 8.97% which is based on actual areas which are part of the Master Plan which has been approved by the Govt. of Goa. Comparing GGIAL to other airports does not seem prudent, as each airport has its own distinct characteristics.

Useful Life of Airport Assets: -

GGIAL' Reply: - FIA requested useful life of the Airport & Terminal building should be considered 60 years in line with period of concession agreement. In this regard it is submitted that, as per the Concession Agreement, GGIAL, Mopa, Goa will develop the airport under the DBFOT (Design, Build, Finance, Operate and Transfer) model for an initial period of 40 years from the appointment date (4th September 2017), which is extendable by another 20 years (based on bidding process) with the First Right of Refusal available to the Concessionaire.

Further, the Authority applies, Order No. 35/2017-18 dated 12th January 2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09th April 2018 in the matter of determination of useful life of Airport assets, which is standard for all Airports. Hence, the maximum useful for any asset could be as stated in order or the concession period (40 years) whichever is lower. This understanding is aligned to the Authority's order mentioned above.

Fuel Infrastructure Charges at GOX – Order Number 29/2022-23: Charges for Fuel Infrastructure

GGIAL Reply: - This is not subject matter of this consultation. Hence, no response solicited.

Pre-operative expenses as part of RAB:

GGIAL's Reply: - FIA requested AERA to consider the pre-operative expenses for the purpose of RAB which are eligible for capitalization as per Indian Accounting Standards to avoid overstatement of RAB and consequently return and depreciation. In this regard, it is stated that these are the actual expenses

incurred by the Airport Operator which has been substantiated to M/s. Kitco with proper reasoning and actual proof. The pre-operative expenses considered for the purpose of RAB are eligible for capitalization as per the Indian Accounting Standards and there is no overstatement of RAB and consequently return and depreciation.

S. No. 5 of FIA comments: - Fair Rate of Return (FRoR) for the First Control Period

GGIAL's Reply: - FIA requested AERA to re-consider equity return of 15.18% due to it being enormously high rate of return or to conduct an independent study for determination of FRoR to be provided to the Airport operator.

In this regard, we would like to mention that Airport business is a unique business with set of challenges which other regulated sectors do not have. Running PPP project and managing multiple set of stakeholders is highly challenging and carries huge risk in terms of meeting the requirements of concession agreement, state and central government requirements and other stakeholder requirements. Further, the Manohar International airport is a unique airport in India where it is in direct competition with Dabolim Airport in the same State.

Further, the FRoR is a derivative of the WACC calculations as provided in the tariff guidelines. The tariff guidelines also provides the methodology to be used to determine the cost of equity. As per para 5.1.3. of AERA (Terms and Conditions for Determination of Tariff for Airport Operators) the CAPM is the model which has to be used to determine the cost of equity for Airports which is reproduced as below”-

“5.1.3. Cost of Equity

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 “

In accordance with the tariff guidelines, GGIAL is seeking FRoR of 15.89 % based on cost of equity of 20.92% as determined by the independent study done by CRISIL specific to GGIAL risk profile and cost of debt of 10.45 % as per actuals. However, Authority has considered its own methodology by taking Average of other PPP to compute Cost of equity & Cost of Debt.

Thus, FIA submission has no merit and is purely arbitrary in nature.

S. No. 6 of FIA comments: - Operation and Maintenance Expenses for the First Control Period

Proportionately increase the power recovery

GGIAL's Reply: - FIA requested AERA to proportionately increase the power recovery charges from Concessionaires and constitute a committee to verify the bills relating to Power expenses and submit a report on the same to AERA, for greater transparency. In this regard it is stated that, Goa has projected the power costs, factoring in the recoveries received from the Concessionaires, which are estimated to be an average of 24% of the total power cost. This recovery percentage is determined by considering a 20% recovery on the total units of power consumed and another 20% recovery on the Per unit rate of power from the concessionaires. Since recovery is based on percentage (%), once

GGIAL gradually expands its non-aeronautical operations, proportionate increase the power recovery charges from Concessionaires is bound to happen.

Area Expansion

GGIAL's Reply: - FIA has mistakenly mentioned that GGIAL has not proposed expansion growth on from phase 1 to phase 2. In this regard, it is stated that GGIAL proposed 10% for Phase 2 Expansion (FY 2024) and 22% for Phase 3 Expansion (FY 2026). We also recognize that the increase in expenses may not be directly proportional to the increase in the capacity due to factors such as technological innovations, advancements, and economies of scale, accordingly we proposed 50% of capacity expansion for phase 3, which comes to 22%. Even the Authority itself computed Phase 2 & 3 expansion based on cost & area increase for phase 2 & phase 3 as 7% & 25%, respectively. Further, the Authority noted that GGIAL, Mopa, Goa has claimed 22% expansion increase in FY 2025-26, which the Authority found to be reasonable and justified with its own analysis. Hence, the Authority proposed to allow the same.

Manpower Expenses

GGIAL's Reply: - FIA requested AERA to note that the percentage of manpower cost proposed by AERA is highest in case of GIAL as compared to other airports namely HIAL, DIAL & KIAL.

GGIAL is a new airport, which needs to build its manpower to run the airport operations. GGIAL needs to hire all people from outside who get on-boarded at minimum 25% salary hikes. Moreover, suitable personnel available for the aviation sector are very limited and it is very difficult to get the skilled workforce for airside and terminal operations and safety activities. So, a decent compensation is imperative to obtain and retain competent employees.

Further, we also agree with FIA that manpower expenditure is semi-fixed in nature and do not increase proportionately accordingly we proposed only 50% of capacity expansion for phase 3 (from 7.7 mppa to 11.1 mppa) which comes to 22%.

Other O&M expenses

FIA is misleading the Authority by specifying that huge escalation is provided in case of expenses like Repair & maintenance expenses, Utilities expenses, operating expenses and manpower. In this regard stated that FIA is misinterpreting expansion factor as escalation. Further, Repair and Maintenance expenses has already been reduced by AERA in spite of the fact that we already have entered into an agreement with a selected vendor based on competitive bidding process in transparent and fair manner for repair and maintenance and the cost thereof is discernible from such contract.

Further, with regard to CSR expenses, it is stated that same is not allowed in admin expenses.

FIA requested AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the First Control Period as estimates are on highest side. In this regard it is stated that we have already substantiated to AERA with all supporting facts that the operation and maintenance expenses claimed by GGIAL in MYTP are accurate and reasonable. Hence, it is not an overestimation and will not lead to any kind of over recovery.

S. No. 7 of FIA comments: - Non-aeronautical revenue for the First Control Period

GGIAL's Reply: - FIA requested AERA to

- 1) mandate GGIAL to enter into suitable agreements with concessionaires to exploit the potential/growth of NAR at GGIAL
- 2) undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the FCP
- 3) further determine and re-assess their estimates in line with other comparable airports

In this regard, it is stated that non-aeronautical revenue submitted by GGIAL in MYTP is systematically calculated. The FIA is misleading the authority by its comments to consultation paper. On one side FIA is arguing that O&M expenses should be reduced and on the other side insisting on considering non-aeronautical revenue as 50% of O&M expenses submitted by GGIAL.

Further, considering the fact that Manohar International Airport, Mopa, Goa is a new greenfield airport has to compete with another airport in close vicinity, AERA is requested to kindly consider non-aero revenue as submitted by GGIAL in its MYTP. We would like to respectfully place reliance on the comments submitted on the non-aero revenues in our submission to the Authority vide letter dated 29th September 2023.

Regarding considering the CPI / Food inflation instead of WPI inflation it is stated that considering WPI as escalation factor is standard practice followed by AERA in case of other PPP and AAI Airports.

Interest income

GGIAL's Reply: - It is pertinent to note that Interest Income falls under the category of revenues from services other than aeronautical services. The calculation of Interest Income estimates depends on cash flows and surpluses, which are determined based on the projected revenue collection. Thus, the Authority's proposal of including the actual Interest Income in the subsequent Control period's true-up process is correct. This will allow for a comprehensive adjustment and alignment of the financial figures to reflect the accurate revenue generated during the specified period.

S. No. 8 of FIA comments: - Proposed Annual Tariff Proposal (Tariff Rate Card) (Refer Annexure II of CP):

1. **Collection charges on UDF Charges:** FIA stated that no rate of collection charges of UDF charges has been proposed by AERA. In this regard it is stated same has already been intimated to AERA vide our mail dated July 07, 2023.

UDF charges on Disembarkation: - In this regard it is stated that the passenger terminal is being used by both embarking & disembarking passengers. Hence, the UDF charges are proposed to be collected from both embarking & disembarking passengers.

'Peak' & 'Off Peak' UDF charges: - Goa is a destination where majority of the people visiting the State through air routes are tourists. As most of the hotels across the State have check-in and check-out timing for their guests as 2 p.m. and 11 a.m., respectively, GGIAL envisages that maximum number of tourists prefer to visit Goa during the peak hours (i.e. between 07:00 Hrs. –

13:00 Hrs.). To effectively utilize the infrastructure and spread out the peaks to latter part of the day, GGIAL proposes differential UDF rates (during peak and off-peak hours). However, the airlines will be charged based on the schedule filed and hence there will be no impact to the airlines.

Since it is a dual airport operation in Goa, passengers may choose to disembark at GOI and embark their next flight at GOX. This will benefit the passenger, as the UDF charges will be applicable as per usage.

Further, in case of Mangaluru International Airport order bearing no. 38/2022-23 dated Jan 12, 2023, AERA already approved UDF for embarking and disembarking passenger stating that: -

- By levying some portion of UDF on the disembarking passengers help in reducing the aeronautical tariff determined towards Landing charges
- This process may also help in recovering ARR for this Control Period and put lesser burden on the Airlines and other Airport Users
- Airport facility is used by both embarking and disembarking passengers. However, the facility used by disembarking passengers is comparatively less as compared to by embarking passengers, so the Authority is of the view that lesser UDF may be levied on the disembarking passengers.

Further, in case of Chandigarh International Airport bearing no. 07/ 2021-22 dated August 20, 2021 AERA also approved UDF for embarking and disembarking passenger along with distance based separate tariff for Domestic Passenger up to 165 Nautical miles and above 165 Nautical miles.

Thus, in order to put lesser burden on the Airlines and other Airport Users and to encourage optimal utilisation of the airport GGIA has strategically use different variables in tariff card.

Whether UDF will be charged on per passenger or per flight basis especially for connecting flights: - It is clarified that GGIAL has proposed UDF based on per passenger basis and not on per flight basis. Further, with regard to specific clarification on charging of UDF, it is stated that the passenger will be charged based on the final destination where (s)he will disembark. For example, international rates of UDF will be applicable in case of GOX-DEL-DXB.

2. **CUTE, CUPPS, CUSS:** FIA stated that the current prices are excessive In this regard, we would like to state that the IT Services License (WAISL) provides a vast range of IT services at Airport compared to IT Service Providers (SITA) at AAI airports as shown in the table below.

WAISL has incurred significant capex for IT assets and carries the responsibility of O&M costs for running the IT operations. Additionally, technology refresh of IT assets on appropriate intervals is also WAISL's responsibility.

Services provided by SITA at AAI Airports	Services provided by WAISL at GGIAL
<p>1) Passenger Processing Services (PPS):</p> <ul style="list-style-type: none"> • CUTE, CUSS, BRS • Self-check-in kiosks • Baggage reconciliation solution • Integration with airline systems 	<p>1) Passenger Processing Services (PPS):</p> <ul style="list-style-type: none"> • All services provided by SITA as shown in left column and following are additional services: <ul style="list-style-type: none"> ○ E-boarding ○ integration of biometrics, SBD with airlines, airport systems. <p>2) Enabling Infra for PPS: • Campus LAN and WLAN</p> <ul style="list-style-type: none"> • Data Centre for Hosting applications and systems • PAVA • Middleware apps like ESB • Master Clock System (MCS) • Storage and Servers and End User Devices such as laptops, workstations <p>3) ICT Services: • AODB and its interfaces to other systems</p> <ul style="list-style-type: none"> • RMS • AOCC • CCTV • FIDS • MATV. <p>4) Back-office IT Services: • DAS, Telephony</p> <ul style="list-style-type: none"> • TMRS • EPOS • MPAS <p>5) IT Security Services: • Cybersecurity of endpoints, devices, and policy upkeep of same.</p> <ul style="list-style-type: none"> • Firewall

As per current practice, the Airport operator has sought tariff approval of the user charges from the regulator on behalf of the IT service provider. The IT service provider will charge the user charges so approved to Airlines and will pay revenue share/royalty to the airport on the revenue earned.

Following is the brief of tariff model followed at various airports:

Airport	CUTE/CUSS service provided by	Model	Tariff requested by	Tariff	Regulatory approval
Hyderabad	Third Party	Revenue Share Model	Airport Operator	USD 1.25/dep. pax	Yes
Bangalore	Third Party	Revenue Share Model	Airport Operator	USD 1/Dep. Pax	Yes
Cochin	SITA & Glidepath	Royalty	Airport Operator	Rs. 86 per domestic, Rs 94/USD 1.25 per international departing pax	Yes
Kannur	Third Party	-	Airport Operator	Rs 85.1/pax and Rs. 92.5/pax for domestic and international respectively	Yes

Hence, rate proposed by GGIAL is in line with recent order issued by AERA and FIA without any rationale has opposed the levy of the tariff proposed by GGIAL. We request Authority to approve the charges as proposed.

3. **Aviation Security Fee:** - In this regard it is stated that Aviation Security Fee (ASF) is charged by National Aviation Security Force Trust (NASFT) and not by GGIAL. GGIAL is only facilitating in generating the invoice on behalf of NASFT. Payment by the Airlines will be directly made to NASFT. GGIAL is not involved in Levy, exemption and collection charges on ASF.
4. **No Additional Parking Charges:** - In this regard it is stated that GGIAL is not charging any additional parking charges other than normal parking charges during any force majeure situations or for any technical or meteorological situation, which is beyond the control of any airlines.
5. **Parking charges:** - In this regard it is stated that as per the industry practice, GGIAL is calculating the chargeable parking time by rounding off part of an hour to the "next hour".
6. **Landing Charges:** - In this regard it is stated that based on the historic passenger arrival / departure pattern in Goa, the peak and off-peak Landing charges were arrived at.

The peak and off-peak Landing charges are to encourage the airlines to schedule their flights throughout the day instead of few peak hours, so that the demand is distributed, and the Airport infrastructure can be optimally utilized. Further, the Landing charges will be charged to the airlines based on actual arrival time.

S. No. 9 of FIA comments: - Any Other Comment

Shrinkage in control Period

GGIAL's Reply: - FIA requested AERA to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines. As the AERA Tariff Order for GIAL - First Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2023. In this regard it is stated that delay in order provided benefit to passenger / airlines on account of levy of low tariff from April'23 till implementation of final order. Moreover, GGIAL is recovering ARR proposed by AERA without any carrying cost during the control period. Thus, FIA is misleading that passengers will be burdened due to shrinkage of control period.

Royalty

GGIAL's Reply: - GGIAL is unable to understand Royalty referred to by FIA. We request further information on this. Upon receipt of the detailed information, we reserve our right to submit our response.

Annexure 2 – Response to IATA Comments

GGIAL's reply to IATA Comments

Related Party Transactions and Impact on Airport Revenue

GGIAL's Reply: - With respect to related party transactions, we would like to state that the entering into such transactions is not prohibited and there is no substance in alleging the impact of such transactions on Airport revenues. In fact, these allegations are merely on the basis of IATA's surmises and conjectures. We have ensured that (a) the provisions of Concession Agreement ('CA') have been complied with; and (b) tendering and awards for services is based on competitive, transparent and fair process. GGIAL is required to adhere to following principles while awarding any RPT contracts: -

- Prior written consent from Govt. of Goa
- Transaction to be on arm's length basis and in compliance to the provisions of Company's Act
- No shareholder or KMP that has an interest in the contract to be involved in the design of the contract or contracting process
- Independent Probity Auditor to be appointed to review and monitor the tender
- Audit Committee headed by the nominee Director of Govt. of Goa to be responsible for auditing all the RPTs

Compliance with respect to the CA provision for Related Party Transactions

- In compliance to CA provisions, GoG vide its letter dated 14th Feb' 2017 provided the selection procedure to be followed by GGIAL for appointing an independent probity auditor to review and monitor the related party tendering process.
- Following the above procedure and after undertaking competitive bidding process, GGIAL selected the services of M/s BNSPY & Associates for providing probity audit services while undertaking any RPT transaction by GGIAL
- For entering into any RPT, GGIAL follows the SOP approved by Govt. of Goa that is in compliance with the provisions of CA and procurement policy adopted by the Board
- Typical Process adopted by GGIAL while undertaking any bidding wherein RPT is also participating in the tendering process
 - Probity Auditor Appointment: Probity Auditor is appointed with the approval of the Board of Directors of GGIAL. The scope of the Probity Auditor includes the following:
 - To review and monitor the tender to ensure complete arms' length arrangement;
 - To oversee the bid process in line with the requirements of the CA;

- To certify that the entire tender process has been monitored and conducted on arms' length basis and in compliance to the provisions of the CA and the Companies Act, 2013
- Tender notice is published in Newspaper and also uploaded on our website <http://www.gmrgroup.in/GMR-Goa-International-Airport.aspx>
- Pre bid Queries received from the bidders are clarified by the Technical Team & responses are uploaded on e-procurement platform.
- Bidders are required to submit their proposal in two cover system – Technical & Financial Price online, within the bid submission end date
- Technical Bids are open online and provided to Technical team for evaluation. If required, bidders are asked to make technical presentations
- Post technical evaluation and qualification, financial bids of qualified bidders are opened online
- If required, negotiations are undertaken with bidders with the objective to optimize the offerings
- If the Related Party of GGIAL becomes the selected bidder on the completion of the bidding process, before the award of the contract, the proposal is submitted to the Govt. of Goa for concurrence
- Post GoG concurrence, the same is presented to Audit Committee and to the Board of Directors along with the certificate issued by the Independent Probity Auditor, for its approval.

GGIAL has strictly adhered to the concession agreement guidelines while awarding contract to related party. Further, GGIAL also submitted Probity Auditor Report & GoG approval to AERA.

Hence, the objection of IATA is not sustainable.

Impact of lack of competition in Ground Handling

In this regard it is stated that, GGIAL has developed the Manohar International Airport (“MIA”) having the terminal building capacity and the current forecast of annual passenger throughput at less than 10 million passengers per annum. With this low passenger handling, the business proposition and the government guidelines permit one ground handler at the MIA.

Para 2.5 of the AIC, dated 25th Feb 2022, pertaining to Grant of Permission for Providing Ground Handling Services at Airports Other than those belonging to the Airports Authority of India ("policy"), reads as follows

“2.5 At the airport having annual passenger throughput of less than ten million passengers per annum, based on the traffic output and airside and terminal building capacity, the airport operator may decide on the number of ground handling agencies, not exceeding three, including that of, - (a) the airport

operator or its joint venture or its hundred percent owned subsidiary; (b) a Joint Venture or a subsidiary of Air India; and (c) any other ground handling agency appointed by the airport operator through a transparent bidding process.”

In line with the Policy and business requirements, we have followed a competitive bidding process and awarded the license to the selected bidder for undertaking Ground Handling services at MIA. As part of the bidding process, RFP was floated during Mar’2021 and award for GH agency was formalized by execution of the agreement in Feb’2022.

Going forward, as our business grows and the passenger throughput crosses 10 million passengers per annum, we shall ensure that there will be three ground handling agencies.

It is also pertinent to note that the charges for ground handling services are regulated by AERA with the purpose to check the levy the excessive charges. Hence, the objection of IATA is not sustainable.

Non-Aeronautical Revenue (NAR)

In this regard we would like to refer to para 32.3.2 of the concession agreement awarded to GGIAL wherein the mechanism of till framework is made applicable to GGIAL. The relevant paragraph of the concession agreement is reproduced below: -

“32.3 Principles of Determination and Revision of Aeronautical Charges

32.3.2 The GoI has, vide its letter no. F. No. AV.2101111212013-AD dated April 13, 2015, approved the 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions of this Agreement. For avoidance of doubt, revenues of the Concessionaire from City Side Development shall be excluded from the shared-till framework for the determination and regulation of the Aeronautical Charges.”

It is evident from above that the application of till shall be 30% (thirty per cent) shared till framework for the determination and regulation of the Aeronautical Charges at the Airport, with the exclusion of revenues from City Side Development.

Further, reference is invited to AERA order bearing no. 14/2016-17 dated 12th Jan 2017 (issued on 23rd Jan 2017) in the matter of aligning certain aspects of AERA’s Regulatory Approach (Adoption of Regulatory Till) with the provision of the National Civil Aviation policy 2016 (NCAP-2016) approved by Government of India. In the stated order the Authority had decided that,

“The Authority will in future determine the tariffs of major airports under “Hybrid-Till” wherein 30% of non-aeronautical revenue will be used to cross subsidize aeronautical charges. Accordingly, to that extent the airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory till, shall remain the same.

Hence, the objection of IATA is not sustainable.

Proposed Tariff Card

GGIAL’s reply: - Significant complexity is built into the tariff card structure proposed by the AO. The complexity includes variables like hours of the day (morning, evening and night hours); schedule

(winter and summer schedules); on which landing, parking and UDF charges are being proposed. Similarly, there is a proposal for UDF which is structured for embarking and disembarking, and with different rates for “peak” and “off-peak” flights. In this regard following is our response:-

UDF: - Based on the historic passenger arrival / departure pattern in Goa, the peak and off-peak UDF charges were arrived at. However, the airlines will be charged / recovered based on the schedule filed and hence there will be no impact to the Airlines.

‘Peak’ & ‘Off Peak’ UDF charges: - Goa is a destination where majority of the people visiting the State through air routes are tourists. As most of the hotels across the State have check-in and check-out timing for their guests as 2 p.m. and 11 a.m., respectively, GGIAL envisages that maximum number of tourists prefer to visit Goa during the peak hours (i.e. between 07:00 Hrs. – 13:00 Hrs.). To effectively utilize the infrastructure and spread out the peaks to latter part of the day, GGIAL proposes differential UDF rates (during peak and off-peak hours). However, the airlines will be charged based on the schedule filed and hence there will be no impact to the airlines.

Since it is a dual airport operation in Goa, passengers may choose to disembark at GOI and embark their next flight at GOX. This will benefit the passenger, as the UDF charges will be applicable as per usage.

Further, in case of Mangaluru International Airport order bearing no. 38/2022-23 dated Jan 12, 2023, AERA already approved UDF for embarking and disembarking passenger stating that: -

- By levying some portion of UDF on the disembarking passengers help in reducing the aeronautical tariff determined towards Landing charges
- This process may also help in recovering ARR for this Control Period and put lesser burden on the Airlines and other Airport Users
- Airport facility is used by both embarking and disembarking passengers. However, the facility used by disembarking passengers is comparatively less as compared to by embarking passengers, so the Authority is of the view that lesser UDF may be levied on the disembarking passengers.

Further, in case of Chandigarh International Airport bearing no. 07/ 2021-22 dated August 20, 2021 AERA also approved UDF for embarking and disembarking passenger along with distance based separate tariff for Domestic Passenger up to 165 Nautical miles and above 165 Nautical miles.

Thus, in order to put lesser burden on the Airlines and other Airport Users and to encourage optimal utilisation of the airport GGIA has strategically use different variables in tariff card.

Landing Charges: - The peak and off-peak Landing charges are to encourage the airlines to schedule their flights throughout the day instead of peak hours, so that the demand is distributed, and the Airport infrastructure can be optimally utilized. Further, the Landing charges will be charged to the airlines based on actual arrival time.

Annexure 3 – Response to AAI Comments

S. No. 1 of AAI comments: - Traffic for First Control Period

GGIAL's Reply: - AAI has requested AERA that the share of traffic between MOPA Airport and Dabolim Airport cannot be different in the tariff order of two airports. In this regard, it is stated that traffic projections are based on the study conducted by M/s CRISIL for Manohar International Airport, Mopa, Goa. The study employed an econometric model to estimate the demand for air traffic among passengers in the state of Goa, which is a well-established practice for projection techniques. In industry practice, this is a well-accepted approach for traffic forecasting. GGIAL has further requested the Authority to moderate the estimated traffic for FY 2024 based on the actuals till date. However, for rest of the Control Period, we expect to achieve the traffic forecast considered by AERA for FY 2025 and onwards.

S. No. 2 of AAI comments Capital Expenditure: -

GGIAL's Reply: - AAI stated that while determining the cost of apron, AERA has determined at a rate of Rs. 7,253 per sqm. using the Normative Approach as per Order 07/2016-17. However, in the case of Tariff Order 16/2023-24 for Srinagar International Airport, AERA has determined a normative cost of Rs.7048 per sqm. In this regard, it is stated that in case of Srinagar, AERA mistakenly considered ceiling cost of Rs. 4700 per Sqm for 2016-17 instead of 2015-16.

Further, regarding AAI's comment on restricted capital cost up to normative based on order no. 7 / 2016-17 and Chennai order no. 03/2018-19, it stated that once the price has been arrived at through a market discovery process the question of resorting to an option of estimate in determining the price does not arise and is irrelevant. (Hon'ble TDSAT in AERA Appeal No. 1/2016 and AERA Appeal No. 1/2021)

➤ **In case of DIAL TDSAT order dated 21.07.2023, TDSAT observed following:**

- ✓ As per the provisions given in Section 13(1) of AERA act, AERA must appreciate "actual CAPEX incurred" by the Airport Operator.
- ✓ Phase-3A CAPEX amount given by DIAL was based on competitive bidding process and principally and technically approved by MoCA.
- ✓ AERA has no Power, jurisdiction and authority to interfere in the contract signed between DIAL and the selected bidder
- ✓ AERA cannot reduce the amount of CAPEX for Phase 3A expansion project proposed by DIAL

Further, Normative cost of Ahmedabad & Lucknow is not part of this consultation paper. Hence, no response solicited.

S. No. 3 of AAI comments General Capex: -

GGIAL's Reply: - AAI stated 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. In this regard, it is stated that to account for any security related upgrades or any regulatory requirements, the Authority deems it appropriate to consider General Capex. Further, allowing general maintenance capex is standard practice followed by AERA in other Airport. We agree with AAI similar treatment may please be extended to AAI Airports.

S. No. 4 of AAI comments on Tariff card of MOPA: -

GGIAL's Reply: - AAI requested 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 this regard, it is stated that based on the proposed ARR, GGIAL had already submitted its proposed tariff card and the same is available to public and other stakeholder for comments at AERA website vide public notice no. 11/2023-24 dated 12th Sep, 2023.

Annexure 4 – Response to AIASL Comments

GGIAL's reply to AIASL comment – AIASL highlighted that presently only one Ground Handling Agency is providing ground handling services at this MOPA airport. Looking into the potential growth of this airport, an additional ground handling Agency will provide a healthy competition minimizing the monopolistic disposition of the airport. Further, AIASL have appealed to GMR Top Management to consider appointing and allowing AIASL to perform Ground Handling services as the Airport Operator should ensure a competitive environment for performing Ground Handling services.

In this regard it is stated that, GGIAL has developed the Manohar International Airport (“MIA”) having the terminal building capacity and the current forecast of annual passenger throughput at less than 10 million passengers per annum. With this low passenger handling, the business proposition and the government guidelines permit one ground handler at the MIA.

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