

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 23.01.2024 at 11:00 AM on Virtual Platform.

CONSULTATION PAPER NO. 23/ 2023-24 - TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF THE AERONAUTICAL TARIFF FOR THE SECOND CONTROL PERIOD (F.Y. 01.04.2023 TO F.Y. 31.03.2028) IN RESPECT OF PATNA INTERNATIONAL AIRPORT (PIA).

1. AERA Act, 2008, Sec.13(iv)(a) mandated AERA to ensure transparency in Consultation Process for determination of tariff in the wider interest of the public and the stakeholders. Accordingly, a Stakeholder Consultation Meeting was convened by the Authority on 23.01.2024 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 23/ 2023-24 dated 13.01.2024 issued by the Authority to consider the Multi-year Tariff Proposal for the Second Control Period (FY 2023-24 to FY 2027- 28) in respect of Patna International Airport (PIA). The list of participants is enclosed at **Annexure-I**.
2. Chairperson, AERA welcomed all the Stakeholders present in the meeting and extended his greetings.
3. He invited the officials of AAI to present their submissions in response to the Consultation Paper for Patna International Airport and assured other stakeholders that they would get an opportunity to express their views after the AAI's presentation, as the response of the stakeholders is very essential for the tariff determination process of the Major Airports. Following were the comments made by various stakeholders including that of AAI/Patna Airport.
4. **Patna International Airport (PIA):**
 - 4.1 It was conveyed that the presentation would be made in two parts. The first part would be presented by Airport Director, Patna which includes the key features of Patna International Airport and the second part would be presented by Mr. R. Prabhakar, GM -JVC, AAI in which the Airport Operator's response to the Consultation Paper No. 23/ 2023-24 regarding Patna International Airport would be submitted.

Mr. Anchal Prakash, APD, Patna gave a detailed presentation on the Patna International Airport. The presentation covered the following details:

4.2 Brief on Patna International Airport

- 4.2.1 Patna International Airport (IATA: PAT, ICAO: VEPT), also known as Jayprakash Narain International Airport, Patna. The peak hour traffic of Domestic PAX stands at 1,300.
- 4.2.2 The Terminal Building has built up area of 11,820 sqm. It has annual designed capacity of 2.3 MPPA and has 3 conveyor belts, 400 trolleys, 22 check-in counters.
- 4.2.3 The airport has 6 Parking Stands, 1 Runway, 1 Parallel Taxiway (which is under construction).
- 4.2.4 The airport has many facilities such as Check-in-Counters, CUSS-09, Restrooms, Tactile Flooring, Ramps, Facilities for persons with reduced mobility, Immigration & Customs Counters, FIDS/ PA System/ Entertainment TVs, Immigration & Custom Counters, Child Care Room, Napkin Vending Machine, Bottle Crushing Machine, Drinking water, Seating Arrangement, Reserved Lounges, 146 CCTV Cameras, Free Wi-Fi, May I Help you counters, Application Based Cab Aggregator, Free News Paper supply stand, Tourism Information Counters, etc. for proper facilitation of passengers.

- 4.2.5 The major capital works proposed for the Second Control Period include Elevated roads with ramps, Link Bridge, construction of New Terminal Building, construction of Met building, Community Center, Fire Station, Technical block-cum- ATC Tower, Cargo and ESS building, Construction of Apron, Construction of PTT & Allied Works, Multi Level Car Parking, Baggage Handling System, Lifts, Escalators & Travellators. Apart from the above, there are other capital projects, which are under progress and nearing completion.
- 4.2.6 APD Patna informed that the increase in passenger traffic at Patna Airport during the expansion phase had a notable effect on the Airport Service Quality (ASQ) rating. Post Covid-19, there has been a steady rise in the ASQ rating of the Airport, which has now reached to 4.71 (in 2023).
- 4.2.7 Jayprakash Narayan Airport provides connectivity to Goa, Hyderabad, Chennai, Chandigarh, Pune, Deoghar, Guwahati, Lucknow, Ahmedabad, Bangalore, Mumbai, Kolkata and Delhi. All the 13 destinations are directly connected from the Patna airport.
- 4.2.8 APD Patna presented the data on the airlines operating at Patna Airport, for November 2023, wherein Indigo Airlines shared a major proportion of the flight operations.

Mr. R. Prabhakar, GM - JVC, AAI made a presentation which detailed AAI's submission to the Consultation Paper No. 23/ 2023-24.

- 4.3 Mr. Prabhakar, GM- JVC, AAI in its presentation highlighted the concerns relating to the true up of the First Control Period, followed by the submissions for the Second Control Period and requested AERA to consider the same.

Submission - True up of First Control Period

- 4.3.1 AAI submitted that the Administrative & General Expenses are proposed to be reduced by ₹ 1.19 Crore in respect of CSR expenses. In this regard, GM-JVC emphasized that the CSR expenses have been calculated by AAI based on actual expenditure. Also, funds for CSR activities are allocated to stations as approved by CSR board of AAI, at CHQ level. Hence, the CSR computation has to be done based on Aeronautical profit of the Company as whole and not at a Station level.
- 4.3.2 AAI had raised concern that AERA has considered cost of equity as 14% against AAI's submission of 16%. GM JVC requested AERA to consider the Cost of Equity as 16%, in line with PPP airports (MIAL, DIAL, HIAL and CIAL), where the Cost of Equity has been considered at 15+ %.

Submission for Second Control Period

- 4.3.3 GM, JVC submitted AERA to reconsider the ₹21.60 Crores disallowed by AERA for Payroll Expenses. For the FY 2024-25, AAI initially proposed a 19% increase, but AERA has reduced it to 10%. He clarified that the adjustment is due to additional staffing requirements for the new operational terminal building. Additionally, the pay allowances, typically allowed a 7% yearly increase, have been restricted to 6% from FY 2023-24, resulting in an overall reduction of ₹21.60 Crores.
- 4.3.4 AAI requested AERA to consider disallowed Capex of ₹ 18.37 Crores in respect of the elevated road and the link bridge as fully 'aeronautical', as per the AAI's submission. He further emphasized that AERA applied the terminal building ratio of 90:10, whereas this CAPEX is not utilized for any non-aeronautical purpose and is solely for operational activity.
- 4.3.5 AAI had raised concern that AERA has considered cost of equity as 14% against AAI's submission of 16%, for the Second Control Period. GM JVC requested AERA to consider the

Cost of Equity as 16% in line with PPP airports (MIAL, DIAL, HIAL and CIAL), where the Cost of Equity has been considered at 15+%.

Chairperson, AERA responded to AAI by saying that the Cost of equity is being considered as 14% for AAI Airports uniformly, and, if AERA has to consider the cost of equity at par with PPP Airports, then a notional debt equity ratio of 48 :52 (D:E) will be considered, in that case, the FRoR for AAI Airports will be much lower.

- 4.3.6 Regarding CSR Expenses, GM JVC, AAI added that AERA reduced the CSER expenses under the Administrative & General Expenses by ₹ 1.59 Cr. He emphasized that CSR computation has to be done based on Aeronautical profits of the Company as whole, and not at a station level. GM, JVC requested AERA to reconsider this amount of ₹ 1.59 Cr. while determining ARR.
- 4.3.7 Regarding Upkeep expenses, GM- JVC, submitted that AAI had proposed a 10% year-on-year increase for the Second Control Period; whereas, AERA has considered only an inflationary increase, which has significantly reduced the Upkeep expenses by ₹ 16.19 crores. AAI submitted that 10% growth has been considered due to an estimated rise in the contractual obligations of 5-10%, including an increase in minimum wages.
- 4.3.8 AAI submitted that R&M expenses claimed by AAI are for operational requirement and regular maintenance of the Airport's infrastructure. He further emphasized that R&M Expenses vary based on factors such as location and conditions while addressing the wear and tear over the years, and it is not justifiable to limit the recovery of expenses to a percentage of opening RAB. Therefore, AAI requested AERA to consider the R&M expenses for the Control Period as submitted in the MYTP.
- 4.3.9 With respect to Non-aeronautical Revenue (NAR), GM-JVC, stated that AAI had projected total non-aeronautical revenue amounting to ₹ 77.44 crores, mainly relating to Restaurant /Snack Bars, T R Stall, Hoarding and Display, Duty free shop, Car Parking, Car Rental, admission Tickets and Other Misc. income for the F.Y 2023-24 to 2027-28. Whereas, AERA has proposed to increase the Non-aeronautical Revenue to ₹ 88.13 crores (Rs 10.69 crores additional NAR over the AAI's submission). He further stated that AERA has proposed to increase 'Other Misc. Income', which consists of transfer of overdue EMD/SD, sale of scrap etc., that are not in the regular course of business and such non-recurring incomes may not be linked with the passenger growth. AAI requested that an amount of ₹ 1.42 Crore may be considered as 'Misc. Income', instead of ₹ 2.21 Crore as proposed by AERA, for the Second Control Period.

He further added that AERA has considered a full 12-month period for NAR calculation in 2024-25, although the New Terminal Building would become operational only in October 2024. He requested for AERA to assess NAR growth with respect to New Terminal Building only from the date of capitalization (October 2024).

5. Chairperson; AERA thanked AAI officials for their presentations and invited other stakeholders to present their views/comments on the Consultation Paper No. 23/ 2023-24

Airline Operators

6. SpiceJet Airlines

- 6.1 Mr. Suryavir Bisht from SpiceJet appreciated the Authority for issuing the Consultation Paper in a short time span.
- 6.2 He commented on the Non-Aeronautical Revenue, which is generally considered around 50% of the OPEX. However, in the case of Patna Airport, it was notably lower at 18.3% of the OPEX and he sought clarification on the same.

- 6.3 He then commented about the proposed increase in landing, parking and UDF charges stating that the Landing Charges proposed by AERA are higher than the charges proposed by the Airport Operator for FY 2024-25. He expressed his concern about these variations, as the Authority generally proposes a lower tariff as against tariff submitted by the Airport Operator.

The Chairperson, AERA acknowledged the concerns and agreed to further look into the said matter. However, Member, AERA clarified the same to all the Stakeholders.

7. Federation of Indian Airlines (FIA)

- 7.1 Mr. Ujjwal Dey from FIA expressed his gratitude to AERA for inviting them for the Stakeholders' consultation meeting.
- 7.2 Firstly, he raised concerns about the O&M expenses at Patna Airport. As against ₹ 305.85 Crores approved in the Tariff Order for the First Control Period, the Airport had incurred ₹ 405.91 Crores, which represents 33% increase in O&M expenses vis-à-vis O&M expenses approved in the Tariff Order. He further commented on the higher projection of O&M expenses by AAI for Second Control Period amounting to ₹ 558.91 Crores. Mr. Dey stated that the increase in the Non-Aeronautical Revenue is not substantial and is much lower than the 50% of the O&M expenses projected for the Second Control Period. He requested that independent studies should be commissioned by AERA with respect to Allocation of Assets, efficiency of CAPEX and OPEX.
- 7.3 He commented that AERA has proposed to adjust 1% of uncapitalized value of the projects from the Third Control Period. However, he requested that this 1% adjustment (for uncapitalized value of projects) should be considered in this Control Period and not from the Third Control Period (next Control Period).
- 7.4 He further raised concern about the proposed increases in landing charges considered by AERA i.e., 64% as against 60% proposed by AAI. Also, with respect to UDF, a substantial UDF increase of 562% was submitted by Patna Airport. Although, AERA proposed an increase in UDF from ₹204 to ₹660 per passenger, resulting in an increase of 224%, which is still on a higher side. He pointed out an 89% variance between CAPEX approved by Authority for the First Control Period and actual CAPEX incurred by Patna Airport. There is an ARR of ₹ 1,145.26 Crores determined by AERA against the ARR proposed by Patna of ₹1,654.93 Crores, which shows the major variance of ₹ 509 Crores.
- 7.5 Mr. Dey highlighted the significance of efficiency in Capital Expenditure (CAPEX). He recommended a strategic emphasis on increasing Non-Aeronautical Revenue (NAR) and encouraged airports to actively pursue measures to lower operational costs. The rationale behind this approach is to enhance sustainability in the aviation sector.
- 7.6 In conclusion, he requested collaboration between Patna Airport and the airlines to enhance operational efficiency, reduce costs, and create an affordable and sustainable aviation system. He said FIA would submit written submission and requested extension of timelines for submission of written comments.

8. International Air Transport Association (IATA)

- 8.1 Ujjwal Bakshi from IATA appreciated AERA for the opportunity to participate in the Stakeholders' meeting. He commented on CAPEX-deferred from First Control Period to Second Control Period, while mentioning the importance of establishing a comprehensive AUCC framework in consultation with airlines at the airport. He expressed the uncertainty about the last AUCC conducted at Patna and requested the airport operator for clarification.
9. Chairperson, AERA asked AAI if they would like to respond to the queries raised by stakeholders.

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- 9.1 ED - JVC, AAI provided clarification regarding the increase in the O&M expenditure between the First and Second Control Period. She explained that the construction of a new terminal building during the Second Control Period led to increased pay & allowances and R&M costs. Furthermore, the amortization of runway recarpeting over the initial four years of the second control period contributed to the rise in O&M costs.

Chairperson, AERA also raised concerns about the non-implementation of the CAPEX approved in the First Control Period and wanted to know the reasons thereof.

ED - JVC, AAI responded that due to the impact of COVID-19, an unprecedented circumstance, they were unable to implement the capital projects planned for the First Control Period.

- 9.2 Member, AERA enquired about conducting the last AUCC meeting at Patna Airport and emphasized about including Airlines, who are important stakeholders.

9.2.1 APD, Patna responded that the last AUCC for Patna was held on May 31, 2023.

The Chairperson, AERA asked AAI to schedule the meeting after confirming the availability of all the stakeholders. He also asked AAI to share all necessary documents particularly PIF relating to AUCC meeting at least 10 days prior to the scheduled date of the meeting.

9.2.2 Ujjwal Dey from FIA proposed conducting AUCC meetings quarterly or annually to gain better clarity on the new terminal building's requirements and progress of ongoing construction works.

9.2.3 Chairperson, AERA said that this had been communicated to AAI and would be addressed in the future.

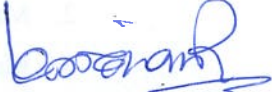
10. Director (P&S), AERA raised a query whether the Memorandum of Understanding (MoU) for Airport Service Quality (ASQ) is executed between the Ministry of Civil Aviation (MoCA) and Patna Airport. In response thereto, ED, JVC mentioned to update AERA shortly, in this regard.

11. Mr. D K Kamra, Member, AERA gave a vote of thanks to all the stakeholders and thanked AAI for making an informative and concise presentation, which helped in a productive discussion. He further stated that the Authority has revised timelines for submission of written comments by the Stakeholders on the Consultation Paper issued by AERA for Patna International Airport, which is as follows:

- Last date for submission of comments by stakeholders has been revised from February 2, 2024 to February 9, 2024
- Last date for submission of counter comments by AAI has been revised from February 9, 2024 to February 19, 2024

In addition, he requested all the stakeholders to provide their written comments within the above stipulated timelines.

12. Chairperson, AERA concluded the meeting and assured stakeholders that AERA shall consider all the comments given by stakeholders on merits and take decisions in the interest of all the stakeholders involved in this process.


(Ram Krishan)
Director (P&S)

List of Participants

Airports Economic Regulatory Authority of India

1. Mr. B S Bhullar, Chairperson
2. Mr. D K Kamra, Member
3. Mr. Ram Krishan, Director (P&S)
4. Mr. Rajan Gupta, DGM (Fin) -Tariff
5. Mr. Satish Kumar, DGM(Tariff)
6. Mr. I.P. Singh, US(P&S)
7. Mr. Trilok Chand, Manager (Tariff)
8. Mr. Prabhjot Singh, Consultant

Representative from AAI

1. Ms. V. Vidya, ED (Finance)- JVC
2. Mr. R. Prabhakar GM (Finance)-JVC
3. Mr. Anchal Prakash, APD, Patna

Representative from Federation of Indian Airlines (FIA)

1. Mr. Ujjwal Dey, Associate Director

Representative from International Air Transport Association (IATA)

1. Mr. Ujjawal Bakshi

Representative from SpiceJet Airlines

1. Mr. Suryavir S. Bisht

Representative from R. Subramanian & CO. LLP

1. Ms. Krithika Gopal, Partner
2. Mr. Sreekumar, Aviation Expert
3. Ms. Komal Singh, Manager

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