

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

MINUTES OF THE STAKEHOLDERS' CONSULTATION MEETING (VIRTUAL) HELD ON 26.02.2024 AT 11:00 AM ON THE PROPOSALS MADE IN CONSULTATION PAPER NO. 25/2023-24 IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR THIRUVANANTHAPURAM INTERNATIONAL AIRPORT, THIRUVANANTHAPURAM FOR THE THIRD CONTROL PERIOD (01.04.2022 TO 31.03.2027)

1. Section 13(iv)(a) of the Airports Economic Regulatory Authority of India Act, 2008 empowers AERA to ensure transparency in Consultation Process for determination of tariff in the wider interest of the public and the stakeholders. Accordingly, a Stakeholders' Consultation Meeting was convened by the Authority on 26.02.2024 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the proposals made in the Consultation Paper No. 25/2023-24 dated 12.02.2024 issued by the Authority in the matter of determination of aeronautical tariff for Thiruvananthapuram International Airport, Thiruvananthapuram for the Third Control Period (01.04.2022 – 31.03.2027). The list of participants is enclosed at **Annexure-I**.
2. At the outset, Chairperson, AERA welcomed all the participants and extended greetings on behalf of the Authority. He informed that the Authority is looking forward to the participants' views on the Authority's proposals in the Consultation Paper and that the Authority will hugely benefit out of this meeting. He invited the Airport Operators to present their respective submissions in response to the proposals made in the Consultation Paper No. 25/2023-24 for Thiruvananthapuram International Airport, Thiruvananthapuram and assured that all other stakeholders would also be given an opportunity to present their views as the response of stakeholders is very essential in the tariff determination process of the major airport.

Airports Authority of India (AAI)

3. During the meeting, Mr. Rakesh Dembla, DGM (Finance), attending on behalf of AAI, introduced himself and thanked AERA for the Consultation Paper issued for Thiruvananthapuram International Airport. He submitted as follows.
 - 3.1. Requested the Authority to consider the space rentals from airlines as non-aeronautical as against proposal made by AERA to consider the same as Aeronautical. He stated that, in the earlier orders of the PPP – Mangalore & Lucknow, it was considered as non-aeronautical. He further informed that 40% of the total area in which non-aero activity is undertaken is given to airlines. He requested that if the same is considered as Aeronautical, then the operating expenses related to that area should also be considered as Aeronautical.

In this regard, Chairperson informed that this is considered as Aeronautical in all airports and with respect to Mangaluru & Lucknow, the same would be checked by the Authority.



3.2. Mr. Rakesh Dembla stated that the rest of the points will be submitted in written comments on or before the stipulated timeline i.e. 13th March 2024.

TRV (Kerala) International Airport Limited

4. Mr. Manoj Chanduka, Sr. VP introduced himself along with other colleagues, who were attending the meeting. He further made a presentation which detailed the operations of Thiruvananthapuram International Airport.

4.1. He gave a brief background on the take-over of Thiruvananthapuram International Airport from AAI on 14th October 2021, which is Commercial Date of Operation (COD). He presented that the control period had been shifted by one year i.e. from FY 2021-22 to FY 2026-27, due to the change of airport operator and the concessioning of the airport. This has led to five (5) years and six (6) months of true-up for AAI and six (6) months true-up for TKIAL. He also presented the timeline of MYTP submission and the issuance of the Consultation Paper.

4.2. He presented the historical traffic evolution and the projections made for Thiruvananthapuram International Airport. In FY 2020-21 and FY 2021-22, like other airports, there was a decrease in the passenger traffic due to the effects of COVID-19 and in FY 2022-23, though the passenger traffic partly recovered, the impact was more as the share of international passenger traffic was 50% compared to the national average of 20%. However, in FY 2023-24, the traffic is observed to have recovered to pre-COVID level of 4.4 MPPA which is in line with the proposals made by the Authority in the Consultation Paper No. 25/2023-24.

4.3. He also presented the historical investment trend in the Airport till concessioning out and comparison of the existing infrastructure with that proposed by the AO in the MYTP.

4.4. Mr. Manoj thereafter presented TKIAL's submission with regards to the Authority's proposal in the Consultation Paper as follows.

- **Fuel Hydrant facility** – The AO submitted that the Authority has not considered the capital expenditure relating to this project in view of the low density of flights. The AO further submitted that the fuel consumption of about 5.83 KL per ATM is observed in TRV as against 3.33 KL per ATM in BIAL and 2.35 KL per ATM in HIAL wherein fuel hydrant facility is allowed. The AO requested the Authority to consider this project cost as it will reduce the need for bowsers for TRV and increase efficiency in consumption of diesel for bowser as the distance between T1, near which the fuel farm is located, and T2 is around 4 kms leading to average movement of 8 to 10 kms for the bowsers in the airside. This is neither safe nor sustainable from carbon emission perspective. It was also pointed out that if the Facility was constructed at a later stage, it would cost more due to the requirement for dismantling and reconstruction of certain areas of the apron. The AO had also considered shifting the Fuel Farm near Terminal 2, but it was not possible due to issues regarding land availability. Therefore, the AO requested the Authority to include Fuel Hydrant Facility as submitted by TKIAL.

Chairperson, on the aspect of fuel hydrant facility, requested TKIAL to submit its detailed comments and justification on this including the verbal reasoning given by Mr. Chanduka during the stakeholders meeting, which is not covered in the presentation made by TKIAL.

- **Financing Allowance** – The AO submitted that AERA guidelines do not distinguish between greenfield and brownfield airports. The AO requested the Authority to consider the Financing Allowance as submitted by the AO.
- **Inflation rates for FY 2023-24** –AO submitted that inflation rates proposed by the Authority of 0.3% is considerably low when compared with the average of 4-5% which he stated was generally provided as a standard practice for inflation. It was also observed that the Authority had rationalized the inflation for FY 2021-22 as it was very high. The AO requested the Authority to consider the rationalized inflation of 4-5%.
- **Pre-COD expenses** –AO submitted that this expense relates to the cost incurred for the successful transition as per the Concession Agreement without causing any disturbances to the passengers. Therefore, the Authority was requested to consider Pre-COD expenses of Rs. 7.30 Crores incurred post issuance of the Letter of Award.
- **Other expenses** –AO submitted that the Authority had not considered employee growth percentage for IT Expenses and Corporate Allocation cost, and passenger growth percentage for security expenses and other operating expenses while computing allowable other expenses. The AO requested that the Authority consider the increase in cost in line with growth in passengers.
- **Cost of Equity** –AO submitted that the approach of the Authority in considering the Cost of Equity based on the average Cost of Equity of other PPP airports is not the relevant benchmark for Thiruvananthapuram. The AO stated that it had submitted the Cost of Equity report as prepared by an Independent Consultant for Lucknow and requested the Authority to consider the same.
- **Cost of Debt** – The AO submitted that the Cost of Debt considered by the Authority was that of the 5 mature airports and that too those rates were from FY 2020-21. It was also submitted that the RBI had increased the benchmark rate by 2.5 % from May'22 to February'23. The AO informed that the borrowings were raised at the Parent company level as the SPV financials were not strong to get loan from reputed banks. The AO requested that the actual Cost of Debt may be allowed by AERA, as it is market driven and can be verified from audited financial statements. The AO also submitted that they would provide further details in the written submissions.

4.5. The AO, then presented the green initiatives undertaken at Thiruvananthapuram International Airport such as:

- Induction of 12 electric vehicles in FY 2022-23,

- Installed 4 EV charging stations,
- Converted high Global Warming Potential (GWP) refrigerants to lower GWPs and converted CO2 type fire extinguishers to non-CO2 based extinguishers,
- Developing green belt areas and spreading Plastic Waste Awareness.

4.6. The AO also presented the awards and accolades earned by Thiruvananthapuram International Airport.

4.7. Mr. Manoj thanked the Authority for the opportunity given to present their viewpoint and assured to submit the written comments/ response on or before the stipulated timeline i.e. 13th March 2024.

5. Chairperson, AERA thanked TKIAL officials for their presentation and thereafter invited other stakeholders to present their views/comments on the Consultation Paper.

Noida International Airport

6. Mr. Paritosh Kumar from Noida International Airport stated that they would submit written comments to the Authority on the Consultation Paper

7. Airlines and Airline Associations

International Air Transport Association (IATA):

7.1. Mr. Ujjwal Bakshi attended the meeting on behalf of IATA. He thanked the Authority on behalf of IATA for the thoroughness of the analysis in the Consultation Paper. He also brought the attention to the fact that there was a 65% reduction in Non-Aeronautical Revenue as per TKIAL submission which needs to be looked into. He also informed that the Authority was right in considering space rental from airlines as Aeronautical Revenue and not as Non-Aeronautical Revenue.

Federation of Indian Airlines (FIA)

7.2. Mr. Ujjawal Dey from FIA thanked the Authority for the Stakeholder's Consultation Meeting and submitted the following:

- NAR had reduced quite significantly as per the AO's submission and requested that the AO should work diligently on increasing the NAR. He also submitted that the NAR in the Second Control Period under AAI's operation was almost double of what it is proposed. Therefore, FIA expects the Airport Operator to ensure that all the resources available with them, to be diligently used and economically optimised so as to reduce the reliance on Aeronautical Charges.
- He submitted that the O&M expenses projected by the AO is very high and requested that the Authority undertake diligent study on the same.

Chairperson informed that this submission of O&M expenses was in context of the AO's CAPEX submission and that the Authority has rationalised the O&M expenses based on its review and rationalization.

- Mr. Ujjawal also appreciated the Authority's efforts in shifting certain CAPEX to the next control period so that the effect of the increased CAPEX does not fall on the current control period. He also stated that AO should use the resources on hand diligently to increase the other revenue options as well and not rely on Aeronautical Revenues alone.
- He also brought attention of the Authority regarding noting in the Consultation Paper advising the AO to bring in efficiencies in incurrence of O&M expenses for the benefit of Airport Users in line with AERA Act, ICAO documents and guidelines (para 10.2.90 of Consultation Paper). FIA was thankful to the Authority for this and requested the AO to work upon the same.
- Mr. Ujjawal highlighted that the AO's submission of Rs. 4,026 Crores of Capital Expenditure was on much higher side. He also pointed out that in the AUCC meeting held on 23rd January 2023, FIA had pointed out that only the necessary CAPEX be undertaken which relates to safety and security.
- With regards to Normative Cost, he noted that the AO had proposed a cost of Rs. 1.51 lakhs per sqm. FIA would appreciate, if the Normative cost is compared with Rs. 0.65 lakhs per sq.mtr. depending upon the type of airport and geography of the location and the cost structure.
- He also informed that any further points will be submitted in the written submission.

SpiceJet Airline

7.3. Mrs. Poonam Yadav from SpiceJet Airline stated that their points have been reiterated by FIA & IATA and they would submit written comments to the Authority on the Consultation Paper in a timely manner.

Indigo Airlines

7.4. Mrs. Priyanshi Saxena from Indigo Airline stated that their points have been made by FIA & IATA and they would submit written comments to the Authority on the Consultation Paper in a timely manner.

Air India

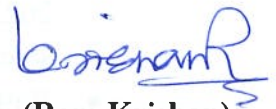
7.5. Mr. Castro Paul from Air India stated that that their points have already been reiterated by FIA & IATA and they would submit written comments to the Authority on the Consultation Paper in a timely manner.

Bharat Petroleum Corporation Limited (BPCL)

7.6. Mr. Abijith Sarkar attended the meeting on behalf of BPCL and informed that they are undertaking bowser refuelling in Thiruvananthapuram. He asked about the plan for Fuel Hydrant System or any threshold throughput per month after which the Fuel Hydrant System will come up at Thiruvananthapuram International Airport.

Chairperson, while referring the points made by TKIAL during the presentation, informed that upon receipt of detailed comments and justification on the aspect of fuel hydrant line from the AO, the same will be considered on merit by the Authority.

8. Sh. D K Kamra, Member, thanked everyone on behalf of AERA and appreciated all the stakeholders for attending the meeting and providing their valuable feedback. He requested the Airport Operators to conduct a capacity study to assess the capacity for both Terminal Building and Airside facilities. Also, he informed that the PHP is not the only criteria to determine Terminal Building capacity and other factors would also need to be considered. He requested all the Stakeholders to provide their written comments at the earliest possible or at the latest by the written submission date, i.e., **13th March 2024** in order to issue the Tariff Order in a timely manner.
9. 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)

Annexure –I

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(Fin) – Tariff
6. Mr. Inderpal Singh, US(P&S)

Airports Authority of India

1. Mr. Rakesh Dembla, DGM (Finance)

Representative from TRV (Kerala) International Airport Limited (TKIAL)

1. Mr. Arun Bansal, Group CEO
2. Ms. Gargi Kaul, Advisor
3. Mr. Manoj Chanduka, Sr. Vice President
4. Mr. Rahul Bhatkoti, Chief Airport Officer, Trivandrum
5. Mr. Ashu Madan, GM – Regulatory

Noida International Airport

1. Mr. Paritosh Kumar

Representative from Federation of Indian Airlines (FIA)

1. Mr. Ujjwal Dey, Associate Director

Representative from SpiceJet Airlines

1. Ms. Poonam Yadav, Sr. Manger, Ground Services

Representative from Indigo Airlines

1. Ms. Priyanshi Saxena

Representative from Air India

1. Mr. Castro K Paul

Representative from International Air Transport Association (IATA)

1. Mr. Ujjwal Bakshi

Representative from Federation of Indian Chambers of Commerce & Industry (FICCI)

1. Mr. Baby Mathew

Representative from Bharat Petroleum Corporation Limited (BPCL)

1. Mr. Abhijit Sarkar

Representative from PKF Sridhar & Santhanam LLP (AERA Consultants)

1. Ms. Seethalakshmi M
2. Mr. Navin Sanjeev
3. Ms. Smrithi Ashok Rao

