

To,

DIAL/2024-25/Regulatory/2325

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

Subject : Response to Jaipur International Airport Consultation Paper  
Reference : Consultation Paper no 26 /2023-24 dated 11<sup>th</sup> March'2024

Dear Sir,

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

1. **Cost of Equity:** AERA considered cost of equity of Jaipur International Airport Limited (JIAL) as average of cost of equity of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit. Even in the TDSAT Judgement dated 23 April 2018 (AERA Appeal No. 6 of 2012), TDSAT had opined that:

*"In view of this position, it appears to us that fixation of 16% is based on hunch and not on scientific and objective calculation or analysis. We, therefore, direct the Authority to improve upon their estimation through a scientific and objective approach in a transparent manner."*

We suggest the regulator conduct a specific study for Airport as each Airport has specific risk due to competition, catchment area and demography of passenger, connectivity, quantum of passenger etc. instead of considering average of other airports. This will ensure that the cost of equity is calculated for each airport in a scientific and objective manner.

2. **Cost of Debt:** AERA considered cost of debt of JIAL as average of cost of debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall consider the forecast for future cost of: (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness



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of such costs, based on a review including of its source, procedure and methods to be used for raising such debt.

Cost of Debt is decided by the banks based on a variety of factors, including, the risk profile of the project, MCLR, repo rates, etc. and accordingly AERA's reliance on Cost of Debt of other PPP airports cannot be a benchmark for the Cost of Debt of the Airport.

Hence, we request AERA to consider cost of debt at actuals.

- 3. Exempt passengers for billing purposes:** As per notification of MoCA Certain categories of passengers are exempted from UDF and other airport charges which Airport Operators are required to follow. AERA should consider the impact of these exempt passengers while framing the tariff card, else it will lead to known shortfall in the recovery.

We would like to draw the attention of the Authority on the tariff order for Chaudhary Charan Singh International Airport, Lucknow for the Third Control Period, Order No. 10/2023-24. (Clause 6.5.4 and Clause 6.5.5). The Airport Operator had adjusted the total traffic to account for billable passenger traffic. The Airport Operator had requested for 3% of the traffic to be considered as exempt, which AERA had accepted citing that it had taken similar decisions in BIAL Traffic Order No. 11/2021-22 and Order No. 46/2015-16 in respect of Metro Development Fees approval determination of Metro Connectivity Project for Mumbai Airport. The relevant extract has been attached below.

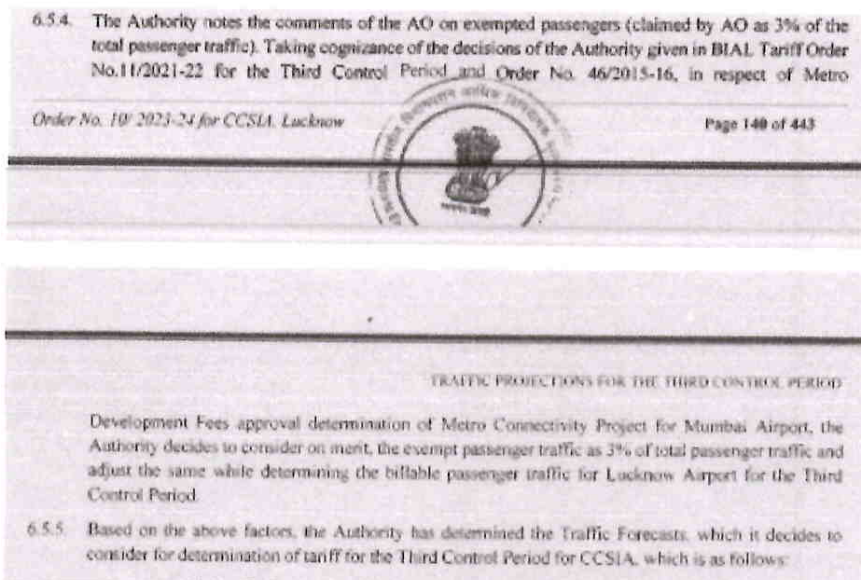


Table 6.7: Traffic decided by the Authority for the Third Control Period

Domestic Passengers (Lacs)	FY	FY	FY	FY	FY	FY	Total
	2019-20	2021-22	2022-23	2023-24	2024-25	2025-26	
Domestic PAX submitted by AO	46.97	31.00	44.00	54.12	65.49	77.93	272.54
Domestic PAX decided by the Authority (A)		27.11	43.47	54.12	65.49	77.93	268.12
AO's submission as a % of FY 2019-20 traffic		66%	94%	115%	139%	166%	
Traffic as per Authority as a % of FY 2019-20 traffic		58%	93%	115%	139%	166%	
Domestic exempted PAX %	FY	FY	FY	FY	FY	FY	Average
	2019-20	2021-22	2022-23	2023-24	2024-25	2025-26	
Submitted by AO		3%	3%	3%	3%	3%	3%
As per the Authority (B)		3%	3%	3%	3%	3%	3%
Domestic Billable PAX (in Lacs)	FY	FY	FY	FY	FY	FY	Total
	2019-20	2021-22	2022-23	2023-24	2024-25	2025-26	

Hence, we request AERA to allow consideration of only billable passengers while framing the tariff card.

4. **Non-aeronautical revenue:** AERA has considered non-aeronautical revenue for FY24 for JIAL as same as the non-aeronautical revenue of FY20 of AAI. By considering a notional amount as non-aeronautical revenue for JIAL in FY24, AERA has in effect prescribed the tariff of such services as the aggregate revenues earned by JIAL would largely be dependent on the tariff of such services. Such determination should not be done by AERA.

Hence, we request AERA to consider the non-aeronautical revenue estimations based on the airport's Master Services Agreement.

Thanking you

For Delhi International Airport Ltd.

  
K Narayana Rao  
Director

Date: April 10<sup>th</sup> 2024