

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

MINUTES OF THE STAKEHOLDERS' CONSULTATION MEETING (VIRTUAL) HELD ON 26.03.2024 AT 11:00 AM ON THE PROPOSALS MADE IN CONSULTATION PAPER NO. 26/2023-24 IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR JAIPUR INTERNATIONAL AIRPORT, JAIPUR 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 mandates 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 26.03.2024 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the proposals made in the Consultation Paper No. 26/2023-24 dated 11.03.2024 issued by the Authority in the matter of determination of aeronautical tariff for Jaipur International Airport, Jaipur 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 stakeholder's views on the Authority's proposals in the Consultation Paper. He invited the Airport Operators to present their respective submissions in response to the proposals made in the Consultation Paper No. 26/2023-24 for Jaipur International Airport 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. R Prabhakar, GM (Finance)-JVC, attended the meeting on behalf of AAI, introduced himself and thanked AERA for the Consultation Paper issued for Jaipur 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 further requested that if such space rental is to be considered as Aeronautical, then Terminal Building Ratio be adjusted accordingly.

Chairperson, AERA informed that space rental from airlines is considered as Aeronautical by AERA at all airports uniformly. Further, he mentioned that the Terminal Building ratio has been considered after considering the impact of space rental from airlines as aeronautical.
 - 3.2. Mr. R Prabhakar stated that the rest of the points will be submitted by AAI in written comments on or before the stipulated timeline i.e. 10th April, 2024.

Jaipur 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 Jaipur International Airport.

4.1. He presented that the control period is shifted on the request made by the airport operator by one year i.e. from 01.04.2021-31.03.2026 to 01.04.2022-31.03.2027, due to the change of airport operator and 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 JIAL. He also presented the timeline of MYTP submission and the issuance of the Consultation Paper.

4.2. He presented the historical traffic trends and the projections made for Jaipur International Airport. In FY 2018-19, the airport achieved its highest traffic. 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. However, in FY 2023-24, the traffic is observed to have recovered very close to pre-COVID level of 5.5 MPPA which is in line with the assessment made by the Authority in the Consultation Paper No. 26/2023-24.

4.3. Mr. Manoj, thereafter, presented JIAL's submission with regards to the Authority's proposal in the Consultation Paper as follows:

- **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.
- **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 Jaipur. The AO stated that they 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 the average of the cost of debt of other mature PPP airports. 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.
- **Other expenses** –AO submitted that the Authority has not considered employee growth percentage for IT Expenses & Corporate Allocation cost, and passenger growth percentage for security expenses while computing allowable other expenses. The AO requested the Authority to consider the increase in cost, in line with growth in number of employees and/or passengers.
- **Inflation rates for FY 2023-24** –AO submitted that inflation rates proposed by the Authority of 0.2% is considerably low when compared with the average of 4-5% which as per his statement was generally provided as a standard practice for inflation. It was also observed that in the case of Ahmedabad and Lucknow, the Authority had rationalized the inflation for FY 2022-23 as it was very high. The AO requested the Authority to consider the rationalized inflation of 4.81% which is average of FY 2022-23 and FY 2023-24.

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- **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. 7.16 Crores incurred post issuance of the Letter of Award.

4.4. The AO, then presented the green initiatives undertaken at Jaipur 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,
- Replaced all conventional lights in terminal and airside with LED lights.
- Developing green belt areas and spreading Plastic Waste Awareness.

4.5. The AO also presented about the awards and accolades earned by Jaipur International Airport.

4.6. Mr. Manoj thanked the Authority for the opportunity given to present their view point and assured to submit the written comments/ response on or before the stipulated timeline-i.e. 10th April, 2024.

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

6. Airlines and Airline Associations

Spicejet

6.1 Mr. G P Gupta from Spicejet submitted that:

- AERA may in future look at how to make the aviation ecosystem more affordable. AO has been allowed a fixed return and there is no incentive for AO to reduce cost. Further, he mentioned that FRoR should be affordable as airlines are the main catalyst, wherein AOs are making enough profits.
- Related Party Transactions need higher level of scrutiny to protect the interest of other stakeholders as such issues are continuously increasing. Further, he also highlighted that in such cases the aspect of arm's length shall be taken care.
- Royalty fees charged by airport operators in India are very high, like the royalty fee charged outsourced ground handling activities is 45% at Jaipur which is very high and has a negative financial impact on airlines who are not doing self-handling.
- CUTE charges should be rationalised and should be charged in rupee terms. Currently these have been charged in USD at Jaipur Airport.
- Share of passenger traffic will be impacted due to improved road and rail connectivity. By keeping cost low, flying can be made affordable and sustainable.

Indigo

6.2 Mr. Dushyant Deep from Indigo stated that:

- AERA has rightly observed that airport operator has not displayed understanding of optimal planning and also that the CAPEX sought is not actually linked with the traffic projections for the airport and we appreciate AERA for rationalizing these projects and for deferring the CAPEX wherever deemed fit. The AO should perform extensive planning at the AUCC stage before securing approval from stakeholders on the proposed CAPEX.
- The Non-Aero revenues project by the AO is extremely low, even lower than AAI achieved in previous Control Period. Further, it is below the yardstick being followed by the Authority in case of other PPP airports. We would urge the airport operators to tell us what ways and means are being taken to ensure that NAR is enhanced substantially as directed by the Authority.
- Need more clarity on the rationale of dual embarking/dis-embarking methodology for calculation of UDF.

Chairperson, AERA informed that the dual embarking/disembarking is being applied only for new Greenfield airports and applicable only in the initial tariff cycle to balance the impact of the UDF on embarking passengers. The dual embarking/disembarking methodology is presently not being apply for brownfield airports. Further, Chairperson also mentioned that the Airlines should nominate/sent their senior officials to attend the AUCC meetings, who have good acumen in airport economics and finance, to make it more effective for the benefit of all the stakeholders.

Member, AERA, in this regard mentioned that airport operators can also have online AUCC meetings and airlines can participate through online and give their effective and concrete suggestion for keeping the interest of all the stakeholder as paramount.

Federation of Indian Airlines (FIA)

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

- He submitted that the O&M expenses projected by the AO is very high and stated that the Authority has under taken diligent study on the same.
- 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 informed that any further points will be submitted in the written submission

International Air Transport Association (IATA):

6.4 Mr. Ujjwal Bakshi attended the meeting on behalf of IATA. He thanked the Authority on behalf of IATA for organising this consultation and submitted the following:

- He highlighted the need for the airport operator to ensure that they should continue to conform to the Service Quality Levels as per the standards indicated in the Concession Agreement. He requested that AAI should share a detailed report on the performance/Service Quality Standards of the Airport Operator against its obligations as stated in the Concession agreement.
 - NAR had reduced 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 significantly higher as it is proposed for the Third Control Period. Therefore, IATA 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.
7. 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 that the sufficient time should be provided to stakeholders at the time of AUCC including provision for online participation and addressal of concerns. He advised the airport operator to undertake terminal construction which is modular and sustainable and in sync with the traffic projections. He requested the Airport Operator to conduct a capacity assessment study to assess the capacity for both Terminal Building & Airside facilities and look at operationalizing T2 at the earliest and also look at cross utilization of the international part of the terminal for domestic operations during lean traffic times. 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., **10th April, 2024** in order to issue the Tariff Order in a timely manner.
8. 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. Suyash Narain, Secretary
4. Mr. Ram Krishan, Director (P&S)
5. Mr. Rajan Gupta, DGM (Fin) -Tariff
6. Mr. Satish Kumar, DGM(Fin) – Tariff
7. Mr. Inderpal Singh, US(P&S)

Airports Authority of India

1. Mr. R Prabhakar, GM (Finance)-JVC

Representative from Jaipur International Airport Limited (JIAL)

1. Ms. Gargi Kaul, Advisor
2. Mr. Manoj Chanduka, Sr. Vice President
3. Mr. Vishnu Jha, Chief Airport Officer, Jaipur
4. Mr. Ashu Madan, GM – Regulatory

Representative from Federation of Indian Airlines (FIA)

1. Mr. Ujjwal Dey, Associate Director

Representative from SpiceJet Airlines

1. Mr. G P Gupta, Chief Strategy Officer
2. Ms. Poonam Yadav, Sr. Manger, Ground Services

Representative from Indigo Airlines

1. Mr. Dushyant Deep

Representative from International Air Transport Association (IATA)

1. Mr. Ujjwal Bakshi

Representative from Deloitte Touche Tohmatsu India LLP (AERA Consultants)

1. Mr. Anurag Gupta
2. Mr. Shobhit Agarwal
3. Mr. Anandmoy Roy
4. Mr. Sankalp Sinha