



F/No. AAI/JVC/Jaipur -Tariff/2023-24/1247

Date: -22.04.2024

**The Secretary,
Airport Economic Regulatory Authority of India
AERA Building, Administrative Complex,
Safdarjung Airport
New Delhi-110003**

Subject: -Submission of True up for the 2nd control period (01.04.2016 to 10.10.2021 COD) and finalization of RAB as on COD in respect of Jaipur International Airport.

Reference: -Submission of AAI's counter comments in response to stakeholders' comments in respect of Jaipur International Airport.

Sir,

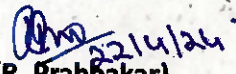
This has reference to Stakeholders comments in the matter of True up for the 2nd control period (01.04.2016 to 10.10.2021 COD) and finalization of RAB as on COD in respect of Jaipur International Airport.

AAI's Counter comments in response to Stakeholders is enclosed.

This issues with the approval of the Competent Authority.

Thanking You.

Yours sincerely,


(R. Prabhakar)

General Manager (Tariff)

Encl: -1. AAI's Counter comments in response to Stakeholder comments.

Airports Economic Regulatory Authority of India ('AERA') has released Consultation Paper or 'CP' No. 26/2023-24 on 11th March 2024 on Aeronautical services in respect of Jaipur International Airport (JAI) for 2nd Control Period (01.04.2016 to 31.03.2021) to COD i.e. 10.10.2021.

AAI's response to comments raised by FIA dated 10/04/2024 on the Consultation Paper No.26/2023-24 in the matter of determination of Aeronautical Tariff for Jaipur International Airport for the Second Control Period from 1/4/2016 to COD:

S. n	FIA's Comment.	AAI's Reply .
4	<p>Para 4.9.4 It is submitted that:</p> <p>Fair Rate of Return (FRoR) to airport operator should be provided only at reasonable rates as any high value of fixed /assured return favours the service provider/ airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.</p> <p>Due to such fixed /assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.</p>	<p>True up of Jaipur International airport for the period form FY 2016-17 to COD Submission of AAI:</p> <p>FROR for an Airport depends on cost of debt and cost of equity.</p> <p>In the first control period of Chennai Airport, AAI has submitted a study conducted by M/s KPMG in regards to calculation of cost of equity wherein Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98. AERA has been considering cost of equity as 14% as against 15.64% as per study report submitted by M/s KPMG.</p>
	<p>Para 4.15.1 and Para 4.15.3 Without prejudice to the above.</p> <p>FIA recommends that no adjustment of RAB should be provided in favour of AAI for period after the COD i.e 11th October, 2021, post which the operational control of the Jaipur Airport is transferred to Jaipur International.</p> <p>Further, FIA wish to draw AERA's attention that any delay in submitting the Multi Year Tariff plan by the airport operator should be taken into account, as delay in tariff determination process will lead to increase in adjusted deemed initial RAB.</p> <p>With regard to application of compounding factor (FRoR) to determine the future value of under recovery. We request AERA to note our</p>	<p>As per Concession Agreement sl no 28.11.3 (a) the concessionaire shall be liable to pay AAI an amount equivalent to the investment made by AAI in the Aeronautical Assets as on the COD and considered by the regulator as part of the RAB, subject to requisite reconciliation, true up and final determination by AERA of the of quantum of such investment.</p> <p>In view of the above, it is clear that no adjustment of RAB is provided in favour of AAI after COD. Also the delay in the tariff determination process will not affect the adjusted deemed initial RAB.</p>

<p>comments as mentioned in S. No 02 and para (a) and (b) above.</p>	
<p>Para 14.2.2 We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the increasing capex projects whereas existing tariff base is not sufficient and the recovery of ARR is to be done in less years of this control period or due to deficiency to recover the ARR on account of higher O&M expenses .</p>	<p>AERA has considered O&M expenses of Rs 520.15 Cr. only as against Rs 595.50 Crs submitted by AAI for the true up period (refer Page no 55 & 63 of CP)</p>