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**Airports Economic Regulatory Authority of India**

**IN THE MATTER OF  
DETERMINATION OF AERONAUTICAL TARIFF  
FOR  
CHANDIGARH INTERNATIONAL AIRPORT, CHANDIGARH  
(IXC),  
FOR THE SECOND CONTROL PERIOD  
(01<sup>ST</sup> APRIL 2021 TO 31<sup>ST</sup> MARCH 2026)**

**Date of Issue: 20<sup>th</sup> August, 2021**

**AERA Building  
Administrative Complex  
Safdarjung Airport  
New Delhi – 110 003**





### List of Abbreviations

Abbreviation	Expansion
AACS	Automatic Access Control System
AAI	Airport Authority of India
AAICLAS	AAI Cargo Logistic and Allied Services
ACI	Airport Council International
AERA	Airports Economic Regulatory Authority of India
Aero	Aeronautical
ARR	Aggregate Revenue Requirement
ATM	Air Traffic Movement
AUCC	Airport User Consultative Committee
AVDGS	Advanced Visual Docking Guidance Systems
BDDS	Bomb Detection & Disposal System
BRS	Baggage Reconciliation System
CAGR	Compounded Annual Growth Rate
CAM	Common Area Maintenance Charges
CAT	Category
CCTV	Closed Circuit Television
CHIAL	Chandigarh International Airport Limited
CGF	Cargo, Ground handling and supply of Fuel
CII	Cost Inflation Index
CISF	Central Industrial Security Force
COVID-19	Coronavirus Disease of 2019
CP	Consultation Paper
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
CUSS	Common User Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Work in Progress
DA	Dearness Allowance
DFMD	Door Frame Metal Detector
DGCA	Directorate General of Civil Aviation
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
ETD	Explosive Trace Detector
FCP	First Control Period
FIA	Federation of Indian Airlines
FICCI	Federation of Indian Chambers of Commerce and Industry
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
FV	Future Value
FY	Financial Year
GH	Ground Handlers
GMADA	Greater Mohali Area Development Authority
GPU	Ground Power Unit
GST	Goods and Service Tax
HD	High Definition
HHMD	Hand-Held Metal Detectors
HR	Human Resource
HRA	House Rent Allowance





Abbreviation	Expansion
HRS	Hours
HSVP	Haryana Shehri Vikas Pradhikaran
HUDA	Haryana Urban Development Authority
IAF	Indian Air Force
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
IND AS	Indian Accounting Standards
INR	Indian Rupee
ISP	Independent Service Provider
IT	Information Technology
KMP	Key Managerial Person
LPW	Light Power Water Charges
MAT	Minimum Alternate Tax
MIAL	Mumbai International Airport Limited
MOT	Merchant Over Time
MPPA	Million Passengers Per Annum
MRO	Maintenance, Repair and Overhaul
MT	Metric Ton
MYTO	Multi Year Tariff Order
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
Non-Aero	Non-Aeronautical
NPP	Night Parking Policy
NPV	Net Present Value
Opex	Operating and Maintenance Expenses
PA system	Public Address System
Pax	Passengers
PBB	Passenger Boarding Bridge
PBT	Profit Before Tax
PF	Provident Fund
PSF	Passenger Service Fee
PTT	Parallel Taxi Track
QRT	Quick Reaction Team
RA Bills	Running Account Bills
RAB	Regulatory Asset Base
RCS	Regional Connectivity Scheme
RNFC	Route Navigation Facility Charges
SBI	State Bank of India
SCCTV	Surveillance Closed Circuit Television
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
TCV	Threat Containment Vessel
TSP	Terminal Storage & Processing
UDF	User Development Fee
USD	United States Dollar
WPI	Wholesale Price Index
XBIS	X-Ray Baggage Inspection System
YoY	Year-on-Year



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## CHAPTER 1. BACKGROUND

### 1.1 Introduction

- 1.1.1 Chandigarh International Airport Limited (CHIAL) was incorporated in 2010 as a company under the Companies Act, 2013 to build and operate a new terminal of international standards at the Chandigarh International Airport. It is a joint venture of the Airports Authority of India (AAI), Punjab Government through Greater Mohali Area Development Authority (GMADA) and Haryana Government through Haryana Urban Development Authority (HUDA) now called Haryana Shehri Vikas Pradhikaran (HSVP).
- 1.1.2 The shareholding of CHIAL as on 31<sup>st</sup> March 2021 was as follows:

**Table 1: Shareholding Pattern of CHIAL**

Shareholder	Shareholding %	Amount (Rs. Lakhs)
Airports Authority of India (AAI)	51%	4,944.19
Greater Mohali Area Development Authority (GMADA)	24.5%	2,375.15
Haryana Shehri Vikas Pradhikaran (HSVP)	24.5%	2,375.15

- 1.1.3 AAI's contribution to equity was in the form of cost of the new integrated terminal building and other assets being constructed by AAI. The balance equity was equally contributed by GMADA and HUDA by way of cost of land acquired for the project.
- 1.1.4 AAI completed the construction of the new integrated terminal building and handed it over to CHIAL on 1st September 2015. CHIAL started its operations from 19<sup>th</sup> October 2015. Chandigarh International Airport is a Civil Enclave and is jointly operated by CHIAL, Indian Air Force (IAF) and Airport Authority of India (AAI). CHIAL operates the Passenger Terminal Building and Civil Apron while Indian Air Force (IAF) and Airport Authority of India (AAI) as per their internal arrangement provide major airside facilities and air navigation services at the airport.
- 1.1.5 CHIAL's major source of revenue from aeronautical services is User Development Fees (UDF) as Route Navigation Facility Charges (RNFC) and landing charges are collected by AAI and IAF respectively.
- 1.1.6 As per AERA (Amendment) Act 2019, the passenger handling threshold for definition of 'Major' Airports was revised from 1.5 million passengers ('MPPA') to 3.5 million annually. Chandigarh International Airport, with a design capacity of 4.5 million passengers was declared as a major airport with effect from FY 2016-17. As per the statistics of FY 20, the actual passenger throughput at Chandigarh International Airport was 2.44 MPPA.

### 1.2 Tariff setting principles

- 1.2.1 The legislature has provided policy guidance to the Authority regarding determination of tariff for aeronautical services under the provisions of the AERA Act, 2008. The Authority is required to adhere to this legislative policy guidance in discharge of its functions in respect of major airports. These functions are indicated in Section 13 (1) of the AERA Act, 2008, which reads as under:
- a) To determine the tariff for aeronautical services taking into consideration;
- (i). The capital expenditure incurred and timely investment in improvement of airport facilities;
  - (ii). The service provided, its quality and other relevant factors;
  - (iii). The cost for improving efficiency;
  - (iv). Economic and viable operation of major airports;





- (v). Revenue received from services other than aeronautical services;
  - (vi). Any Concession offered by the Central Government in any agreement or memorandum of understanding or otherwise;
  - (vii). Any other factor which may be relevant for the purposes of the Act;
- b) To determine the amount of development fees in respect of major airports;
  - c) To determine the amount of passenger service fee levied under rule 88 of the Aircraft Rules, 1937 made under Aircraft Act, 1934;
  - d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any the Authority authorized by it in this behalf;
  - e) To call for such information as may be necessary to determine the tariff under clause 13(1)(a).
  - f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.
- 1.2.2 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

$$ARR = \sum_{t=1}^5 ARR_t$$

$$ARR = (FRoR \times RAB_t) + D_t + O_t + T_t - s \times NAR_t$$

Where,

$t$  is the tariff year in the control period, ranging from 1 to 5

$ARR_t$  is the Aggregate Revenue Requirement for tariff year 't'

$FRoR$  is the Fair Rate of Return for the Control Period

$RAB_t$  is the Aeronautical Regulatory Asset Base for tariff year 't'

$D_t$  is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'

$O_t$  is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'

$T_t$  is the Aeronautical taxation expense for the tariff year 't'

$s$  is the cross-subsidy factor for revenue from services other than Aeronautical services under the Hybrid Till methodology followed by the Authority,  $s = 30\%$ .

$NAR_t$  is the Non-Aeronautical Revenue in tariff year 't'.

1.2.3 The Authority's Orders applied in the tariff proposals in this Order are as follows

- (i). Normative approach to Building Blocks in Economic Regulation of Major Airports – Capital Costs Regarding
  - The Authority issued Order No. 07/2016-17 dated 06<sup>th</sup> June 2016, in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports – Capital Costs Regarding.
  - Normative Approach Order as is applicable to CHIAL has been appropriately considered by the Authority in this tariff determination process.
- (ii). Determination of useful life of airport assets
  - The Authority issued Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 and Amendment No.1 to Order No.35/2017-18 dated 9<sup>th</sup> April 2018, in the matter of determination of useful life of airport assets.
  - The Authority has considered the Order No. 35/2017-18 along with amendment in its determination of aeronautical tariff in respect of CHIAL.





(iii). Determination of Fair Rate of Return (FRoR) to be provided on cost of land incurred by various airport operators in India

- The Authority issued Order No. 42/2018-19 dated 5<sup>th</sup> March 2019, in the matter of determination of Fair Rate of Return (FRoR) to be provided on cost of land incurred by various airport operators in India.
- The Authority has considered the same in determination of aeronautical tariff for CHIAL, to the extent applicable.

### 1.3 Past tariff determination history

1.3.1 A brief on the timeline of events for the First Control Period is as follows:

- CHIAL submitted a proposal for revision of tariffs of first control period for aeronautical services, for the Authority's consideration and approval on 15<sup>th</sup> March 2016.
- Pursuant to their submission, a series of discussions/meetings/presentations were held on the proposal including discussions in respect of the financial model developed by CHIAL.
- The Authority considered and analyzed the views of stakeholders on the proposals of the Authority on various building blocks in respect of determination of aeronautical tariff for CHIAL and determined the aeronautical tariff vide its Order No. 17/2016-17 dated 27<sup>th</sup> March 2017 in the matter of Determination of Aeronautical Tariff in respect of CHIAL for the First Control Period (1<sup>st</sup> April 2016 – 31<sup>st</sup> March 2021) with revised tariffs effective from 1<sup>st</sup> May 2017.

### 1.4 Issuance of Consultation paper and receipt of Stakeholders' comments

1.4.1 CHIAL filed its MYTP submissions for the Second Control Period i.e., from FY 2021-22 to FY 2025-26, vide their letter dated 21<sup>st</sup> January 2021. The MYTP submitted by CHIAL is available on AERA website. Subsequently, CHIAL filed a revised MYTP submission with updated cargo charges vide email dated 16<sup>th</sup> April 2021. CHIAL had also submitted a revised MYTP and tariff rate card on 8<sup>th</sup> June 2021 with following modifications:

- Reducing the passenger tariff for FY22 from MYTP submission made on 21<sup>st</sup> January 2021.
- Proposing the continuance of existing UDF charges for FY22 and new UDF charges from FY23.
- Providing details of certain Operating expenses related to Cargo Operations.

1.4.2 MYTP submitted was with estimated figures of FY 2020-21. Thereafter, CHIAL was requested to submit the actual financials for FY 2020-21, CHIAL submitted unaudited financials vide email dated 18<sup>th</sup> May 2021.

1.4.3 The Authority had appointed an Independent Consultant, M/s PKF Sridhar & Santhanam LLP (PKF S&S) to assess the MYTP submitted by the Airport Operator of Chandigarh International Airport (IXC), Chandigarh. Accordingly, M/s PKF S&S has assisted the Authority in examining the MYTP of the Airport Operator and including verifying the data from the various supporting documents submitted by the Airport Operator, examining the building blocks in tariff determination and ensuring that, the treatment given to it is consistent with the Authority's methodology, approach etc.

1.4.4 CHIAL submitted several items of information based on multiple clarifications sought and queries raised by the Authority from time to time. The Authority had reviewed and addressed the submissions made by CHIAL under respective sections of the Consultation Paper No. 09/2021-22 dated 18<sup>th</sup> June 2021 and had provided its proposals on each building block. Following the release of the Consultation Paper, the



Authority had invited a meeting of stakeholders on 6<sup>th</sup> July 2021. The minutes of the meeting are available on AERA's website.

- 1.4.5 The Authority also invited formal comments from all stakeholders on the issues and proposals presented in its Consultation Paper No. 09/2021-22.
- 1.4.6 The following stakeholders have provided their comments on the Consultation Paper No. 09/2021-22 which are available on AERA's website:
- Chandigarh International Airport Limited (CHIAL)
  - Greater Mohali Area Development Authority (GMADA)
  - Airport Authority of India (AAI)
  - Federation of Indian Airlines (FIA)

**Table 2: Regulatory building blocks with names of stakeholders who commented on each building block**

Component impacting tariff determination of the Second Control Period	Name of the stakeholder who has provided comments (other than CHIAL)
Methodology for Tariff Determination	FIA
Traffic	FIA
Regulatory Asset Base and Depreciation	FIA
Fair Rate of Return	FIA & AAI
Return on Land Cost	FIA & GMADA
Operating Expenses	FIA
Non-aeronautical revenue	FIA & AAI
Taxation	No comments
Inflation for the Third Control Period	No comments
Quality of service for the Third Control Period	No comments
Target revenue for the Third Control Period	FIA
Tariff Card	No comments

- 1.4.7 No inputs were received from MoCA as part of the consultation process.
- 1.4.8 The counter comments from CHIAL on stakeholder comments were received on 25<sup>th</sup> July 2021.
- 1.4.9 CHIAL had, together with its comments on the Consultation Paper No. 09/2021-22 submitted the details of Cargo related assets, manpower expenses and depreciation to be considered by the Authority in the MYTO. The Authority sought for the details of assets together with work orders/ purchase orders. CHIAL submitted these details on 30<sup>th</sup> July 2021. The Authority's analysis of the same is detailed in Second Control Period RAB (as shown in Table 65) and Operating expense (as shown in Table 82) respectively.
- 1.4.10 While CHIAL has submitted the actual Financial Statements for FY 2020-21, audited financial statements are not yet available, at the time of issue of this Order. The Authority will review the audited financial statement for FY 2020-21 and compare with the unaudited financial statements submitted by CHIAL for FY 2020-21 and carry out changes based on differences noted, if any, at the time of determination of tariff for the next control period.
- 1.4.11 The Authority had examined the various comments and observations of stakeholders along with submissions made by the Airport Operator to finalize its decisions pertaining to various regulatory building blocks based on which this Tariff Order is being issued.



### 1.5 Stakeholder Comments, Counter Comments by CHIAL & Authority's examination and decision on Methodology for Tariff Determination

1.5.1 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in Consultation Paper No. 09/2021-22 with respect to Methodology for tariff determination. The comments by stakeholders are presented below:

FIA's Comments:

1.5.2 FIA submits that as per para 1.2.2 of the Consultation Paper, it is stated that the AERA shall determine tariffs for IXC using the Hybrid Till model. It is to be noted that FIA from time to time has advocated the application of a Single Till model across the airports in India. FIA submits that AERA should adopt Single Till basis on the following legal framework:

In the Single Till Order, AERA has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the AERA has, inter alia, in its Single Till Order:

- Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements.
- Considered the legislative intent behind Section 13(1)(a)(v) of the AERA Act.
- Concluded that the Single Till is the most appropriate for the economic regulation of major airports in India.
- The criteria for determining tariff after considering standards followed by several international airports (United Kingdom, Australia, Ireland, and South Africa) and prescribed by ICAO.

AERA in its AERA Guidelines (Clause 4.3) has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services.

The fundamental reasoning behind 'Single Till' approach is that if the consumers/passengers are offered cheaper air-fares on account of lower airport charges, the volume of passengers is bound to increase leading to more foot-fall and probability of higher non-aeronautical revenue. The benefit of such non aeronautical revenue should be passed on to consumers/passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be considered by AERA.

CHIAL's Counter Comments:

1.5.3 CHIAL had submitted the Multi Year Tariff Proposal for SCP as per Authority's Order no 23/2016-17, which is in line with the National Civil Aviation Policy 2016, as issued by the Ministry of Civil Aviation in 2016.

Authority's examination after reviewing stakeholders' comments on Methodology for tariff determination:

1.5.4 The Authority has examined the comments made by FIA regarding Methodology for tariff determination and CHIAL's response to FIA's comments. The Authority's analysis and decisions are set out below:

1.5.5 The Authority has, as per the recommendation of the National Civil Aviation Policy 2016 (NCAP 2016) of GoI, amended tariff guidelines vide its Order No. 14 /2016-17 dated 12<sup>th</sup> January 2017 to determine the future tariff using Hybrid Till. The Authority has provided detailed reasoning and adequately responded to the stakeholders comments on the adoption of Hybrid Till in the above order. The excerpt from the same has been provided below:

*"(i) The Authority will in future determine the tariff of major airports under "Hybrid Till" wherein 30% of Non-Aeronautical revenues will be used to cross subsidize aeronautical charges. Accordingly, to that extent*



*the airport operator guidelines of the Authority shall be amended. The provisions of the guidelines issued by the Authority, other than regulatory Till, shall remain the same.”*

1.5.6 Therefore, Hybrid Till has been followed to determine the aeronautical tariff.

### **1.6 Construct of the Tariff Order**

- 1.6.1 The background of the Authority tariff determination process is explained in Chapter 1 of this Order together with Stakeholder comments on manner of tariff determination and Authority's analysis on the same.
- 1.6.2 Chapter 2 lists out CHIAL's submissions regarding true up for the First Control Period with respect to specific issues, followed by a summary of the Authority's current examination and proposals on the specific issues regarding the true up for the First Control Period as set out in Consultation Paper No. 09/2021-22. Thereafter, comments of CHIAL and other stakeholders, counter comments of CHIAL on other stakeholder comments, Authority's examination and final decisions are set out.
- 1.6.3 Chapters 3- 12 discuss CHIAL's submissions and the Authority's examination of CHIAL's submissions along with its proposals with respect to various building blocks pertaining to the Second Control Period as set out in Consultation Paper No. 09/2021-22. Thereafter, comments of CHIAL and other stakeholders, counter comments of CHIAL on other stakeholder comments, Authority's examination and final decisions are set out.
- 1.6.4 Chapter 13 presents the revised target revenue as determined by the Authority based on the proposals and adjustments in tariff considered by the Authority for the Second Control Period. This is followed by comments of CHIAL and other stakeholders. Thereafter, the Authority's examination and final decisions are set out. The Tariff Card for Chandigarh International Airport (IXC), Chandigarh to be charged in Second Control Period is given in Annexure 1.
- 1.6.5 Chapter 14 summarizes Authority's decisions on all the matters relating to the tariff computations and Chapter 15 is the final Tariff Order issued by the Authority for the Second Control Period of CHIAL.





**CHAPTER 2. TRUE UP FOR THE FIRST CONTROL PERIOD****2.1 CHIAL's submission pertaining to true up for First Control Period**

2.1.1 CHIAL submitted the actual results of various building blocks for the First Control Period in relation to true up of the ARR. CHIAL presented true up for the First Control Period as part of the current MYTP submission as follows:

**Table 3: CHIAL's submission of True up for the First Control Period**

Particulars (Rs. in Lakhs)	FY17	FY18	FY19	FY20	FY21	Total
	Actual	Actual	Actual	Actual	Estimated	
RAB (A)	40,930.61	38,882.04	36,589.43	34,056.99	32,955.49	
FRoR (B)	14%	14%	14%	14%	14%	
FRoR x RAB (A*B)	5,730.28	5,443.49	5,122.52	4,767.98	4,613.77	<b>25,678.04</b>
Depreciation	2,879.16	2,966.38	3,074.46	3,063.68	2,174.05	<b>14,157.72</b>
Operating Expenses	1,681.56	2,113.87	2,544.08	3,077.73	2,802.71	<b>12,219.97</b>
Taxes	-	189.06	374.39	420.75	-	<b>984.20</b>
Add: Fair return on Land cost based on SBI Base Rate plus 2%	4,783.85	4,562.93	4,709.93	4,380.87	4,111.61	<b>22,549.20</b>
Total Aggregate Revenue Requirement	15,074.86	15,275.73	15,825.38	15,711.01	13,702.14	<b>75,589.12</b>
Less: 30% of Non-Aero Revenue	-551.27	-818.74	-1,017.21	-1,254.54	-658.55	<b>-4,300.30</b>
Net Aggregate Revenue Requirement	14,523.59	14,456.99	14,808.17	14,456.47	13,043.59	<b>71,288.82</b>
Actual Aero Revenue	1,454.55	5,548.45	6,746.11	7,508.76	2,610.37	<b>23,868.24</b>
Compounding Factor	1.93	1.69	1.48	1.30	1.14	
FV Net Aggregate Revenue Requirement	27,973.98	24,426.05	21,946.83	18,794.38	14,869.69	<b>1,08,010.93</b>
FV Actual Aero Revenue	2,801.62	9,374.48	9,998.25	9,761.89	2,975.83	<b>34,912.06</b>
<b>True Up Adjustment</b>	<b>25,172.36</b>	<b>15,051.57</b>	<b>11,948.59</b>	<b>9,032.49</b>	<b>11,893.87</b>	<b>73,098.88</b>
<b>Shortfall to be adjusted in the next control period</b>	<b>73,098.88</b>					

2.1.2 The Authority sought actual Financial Statements for FY21 which was submitted by CHIAL. The Authority had examined the true up for First Control Period, issue wise, in the following manner:

- Recording and understanding of the true-up as put forth by CHIAL in its submission;
- Recap of decision taken by the Authority for each item of true-up at the time of tariff determination for the First Control Period;
- Examination and proposal regarding each item of true-up as part of tariff determination for the current control period.
- Examination of comments and counter comments from stakeholders;
- Authority's final decision on the True up of the First Control Period as part of tariff determination for Second Control Period.



## 2.2 True up of Traffic

### CHIAL's submission for true up of traffic

2.2.1 CHIAL submitted ATM, passenger, and cargo traffic in the First Control Period as follows:

**Table 4: CHIAL's submission for true up of traffic for the First Control Period**

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total	CAGR – 17 to 20
<b>ATMs ('000)</b>							
- Domestic ('000)	14.72	17.66	16.14	17.53	9.63	75.68	6%
- International ('000)	0.53	1.05	0.87	0.79	0.08	3.32	14%
<b>Total ('000)</b>	<b>15.25</b>	<b>18.71</b>	<b>17.01</b>	<b>18.32</b>	<b>9.71</b>	<b>79.00</b>	<b>6%</b>
<b>Passengers (in Millions)</b>							
- Domestic	1.75	1.99	1.97	2.32	1.12	9.16	10%
- International	0.08	0.15	0.13	0.12	0.05	0.52	17%
<b>Total</b>	<b>1.83</b>	<b>2.14</b>	<b>2.10</b>	<b>2.44</b>	<b>1.17</b>	<b>9.68</b>	<b>10%</b>
<b>Cargo (in MT)</b>							
- Domestic	5,697.00	5,650.00	5,051.00	8,938.00	6,863.58	32,199.58	16%
- International	-	-	-	-	-	-	-
<b>Total</b>	<b>5,697.00</b>	<b>5,650.00</b>	<b>5,051.00</b>	<b>8,938.00</b>	<b>6,863.58</b>	<b>32,199.58</b>	<b>16%</b>

### Recap of decision taken by the Authority for traffic at the time of tariff determination for the First Control Period

2.2.2 The Authority had noted, vide decision no. 7.c of Order No. 17/2016-17 to true up the passenger, ATM and cargo traffic at the time of tariff determination for the First Control Period, based on the actual numbers.

### Authority's examination of the matters regarding True up of Traffic for the First Control Period as part of tariff determination for the current control period at the Consultation stage

2.2.3 CHIAL had submitted revised traffic details for First Control Period considering actuals for FY 2020-21 along with a corresponding increase in the Aeronautical revenues. The Authority compared the revised traffic details as submitted by CHIAL for the First Control Period with the actual traffic as given by AAI in its website and found them to be matching. Accordingly, the Authority considered traffic for the First Control Period as given below.

**Table 5: Traffic submitted by CHIAL for the First Control Period**

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Domestic ATMs (in '000)	14.72	17.66	16.14	17.53	12.79	78.84
International ATMs (in '000)	0.53	1.05	0.87	0.79	0.10	3.34
<b>Total (in '000)</b>	<b>15.25</b>	<b>18.71</b>	<b>17.01</b>	<b>18.32</b>	<b>12.89</b>	<b>82.18</b>
Domestic Passengers (in Millions)	1.75	1.99	1.97	2.32	1.37	9.40
International Passengers (in Millions)	0.08	0.15	0.13	0.12	0.01	0.49
<b>Total (in Millions)</b>	<b>1.83</b>	<b>2.14</b>	<b>2.10</b>	<b>2.44</b>	<b>1.38</b>	<b>9.89</b>
Domestic Cargo (in MT)	5,697	5,650	5,051	8,938	8,069	33,405
International Cargo (in MT)	-	-	-	-	-	-
<b>Total (in MT)</b>	<b>5,697</b>	<b>5,650</b>	<b>5,051</b>	<b>8,938</b>	<b>8,069</b>	<b>33,405</b>



**Stakeholders' comments on Traffic for the First Control Period**

- 2.2.4 The Authority had not received any comment from stakeholders with respect to True Up of Traffic for the First Control Period.

**Authority's examination and decision on Traffic for the First Control Period**

- 2.2.5 The Authority decides to consider the Traffic figures as given by AAI in its website for the First Control Period consistent with its proposal in Consultation Paper No.09/2021-22 as presented in Table 5.

**2.3 True up of Aeronautical Revenues****CHIAL's submission for true up of aeronautical revenues**

- 2.3.1 CHIAL submitted details of aeronautical revenues for the First Control Period as follows:

**Table 6: Aeronautical revenue as submitted by CHIAL for true up of the First Control Period**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 Est.	Total
Parking & Housing	5.77	4.95	4.24	8.82	18.26	42.04
Throughput Charges	52.77	81.46	88.52	84.87	-	307.62
Cargo Charges	52.35	54.93	49.11	55.31	39.52	251.22
Ground Handling Charges	78.01	83.54	86.72	110.42	55.26	413.95
CUTE Charges	160.98	182.13	177.81	206.85	83.94	811.71
Extension of Watch Hours	33.42	18.18	5.88	0.37	3.39	61.24
Lease rental from refuelling station	353.22	402.59	370.93	399.80	405.54	1,932.08
PSF excluding collection charges	718.03	175.05	-	-	-	893.08
UDF/PSF	-	4,541.16	5,949.40	6,604.70	1,990.28	19,085.54
Baggage Reconciliation System Charges	-	4.46	13.50	37.62	14.19	69.77
<b>Total</b>	<b>1,454.55</b>	<b>5,548.45</b>	<b>6,746.11</b>	<b>7,508.76</b>	<b>2,610.37</b>	<b>23,868.24</b>

**Recap of decision taken by the Authority for aeronautical revenues at the time of tariff determination for the First Control Period**

- 2.3.2 The Authority vide its decision number 8.b of Order No. 17/2016-17, decided to true up aeronautical revenues based on actual revenues. Estimate of Aeronautical Revenues as considered by the Authority in the FCP Order was as given below:

**Table 7: Aeronautical revenue as considered in the Tariff Order No.17/2016-17 for First Control Period**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Parking & Housing	4.00	5.00	5.00	5.00	6.00	25.00
Throughput Charges	56.00	61.00	67.00	74.00	81.00	339.00
Cargo Charges	55.00	63.00	71.00	79.00	89.00	357.00
Ground Handling Charges	74.00	84.00	89.00	94.00	100.00	441.00
CUTE Charges	138.00	163.00	182.00	202.00	225.00	910.00
Extension of Watch Hours	42.00	45.00	47.00	50.00	53.00	237.00
Lease rental from refuelling station	338.00	364.00	400.00	440.00	484.00	2,026.00



TRUE UP FOR THE FIRST CONTROL PERIOD

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
PSF excluding collection charges	696.00	-	-	-	-	696.00
UDF/PSF	-	6,357.00	7,005.00	7,725.00	8,525.00	29,612.00
Baggage Reconciliation System Charges	-	-	-	-	-	-
<b>Total</b>	<b>1,403.00</b>	<b>7,142.00</b>	<b>7,866.00</b>	<b>8,669.00</b>	<b>9,563.00</b>	<b>34,643.00</b>

**Authority's examination of the matters regarding True up of Aeronautical Revenues for the First Control Period as part of tariff determination for the current control period at the Consultation stage**

- 2.3.3 The Authority sought actual Financial Statements for FY21 which was submitted by CHIAL. The same was considered for true up of revenues as given below:

**Table 8: CHIAL's submission of Aeronautical Revenues after considering the actual revenue for FY21**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Parking & Housing	5.77	4.95	4.24	8.82	36.86	60.64
Throughput Charges	52.77	81.46	88.52	84.87	-	307.62
Cargo Charges	52.35	54.93	49.11	55.31	46.18	257.88
Ground Handling Charges	78.01	83.54	86.72	110.42	53.33	412.02
CUTE Charges	160.98	182.13	177.81	206.85	113.96	841.73
Extension of Watch Hours	33.42	18.18	5.88	0.37	3.24	61.09
Lease rental from refuelling station	353.22	402.59	370.93	399.80	409.64	1,936.18
PSF excluding collection charges	718.03	175.05	-	-	-	893.08
UDF/PSF	-	4,541.16	5,949.40	6,604.70	3,787.99	20,883.25
Baggage Reconciliation System Charges	-	4.46	13.50	37.62	11.76	67.34
<b>Total</b>	<b>1,454.55</b>	<b>5,548.45</b>	<b>6,746.11</b>	<b>7,508.76</b>	<b>4,462.96</b>	<b>25,720.83</b>

- 2.3.4 The Authority noted that the revenues for FY 2020-21 had reduced significantly as compared to the estimated revenues considered, due to the ongoing COVID-19 pandemic. The Authority also noted that the Cargo revenues had reduced from the estimate in all the years. On enquiry, CHIAL submitted that this was due to closure of runway for recarpeting work and at that time passenger ATMs were given preference over Cargo ATMs.
- 2.3.5 The Authority reviewed CHIAL's submission regarding Aeronautical Revenues. The Authority noted that CHIAL had collected revenues as per Tariff card approved by the Authority for the First Control Period vide its decision no. 12 of Order No. 17/2016-17.
- 2.3.6 The Authority had, in the First Control Period Order, decided to consider lease rental from refuelling station as revenue from aeronautical service. The same had accordingly been considered by CHIAL as aeronautical revenue.
- 2.3.7 The Authority also noted that CHIAL receives revenue from Baggage Reconciliation Services @ Rs. 6.9 per departing passenger from the Independent Service Provider (ISP), M/s SITA which has been considered as Aeronautical Revenues.





- 2.3.8 Rent from space given to aeronautical service providers such as Ground Handlers, Airlines was considered as Non-Aeronautical Revenue by CHIAL. The Authority was of the view that the revenues collected from aeronautical services providers such as Airlines, Cargo, Ground handlers and fuel suppliers had to be treated as Aeronautical Revenues. Therefore, the Authority proposed to consider the rent received from space given to Ground handlers, Airlines, and other aeronautical concessionaires as aeronautical revenues.
- 2.3.9 Aeronautical revenues as proposed by the Authority for the First Control Period after considering the above change were as follows:

**Table 9: Aeronautical revenue proposed for true up of the First Control Period by the Authority**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Parking & Housing	5.77	4.95	4.24	8.82	36.86	60.64
Throughput Charges	52.77	81.46	88.52	84.87	-	307.62
Cargo Charges	52.35	54.93	49.11	55.31	46.18	257.88
Ground Handling Charges	78.01	83.54	86.72	110.42	53.33	412.02
CUTE Charges	160.98	182.13	177.81	206.85	113.96	841.73
Extension of Watch Hours	33.42	18.18	5.88	0.37	3.24	61.09
Lease rental from refuelling station	353.22	402.59	370.93	399.80	409.64	1,936.18
PSF excluding collection charges	718.03	175.05	-	-	-	893.08
UDF/PSF	-	4,541.16	5,949.40	6,604.70	3,787.99	20,883.25
Baggage Reconciliation System Charges	-	4.46	13.50	37.62	11.76	67.34
Rent from space given to GH/ Airlines	136.71	162.21	222.22	295.08	352.35	1,168.56
<b>Total</b>	<b>1,591.26</b>	<b>5,710.66</b>	<b>6,968.33</b>	<b>7,803.84</b>	<b>4,815.30</b>	<b>26,889.39</b>

**Stakeholders' comments on Aeronautical Revenues for the First Control Period**

- 2.3.10 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of the Authority in Consultation Paper No.09/2021-22 with respect to determination of Aeronautical Revenue for the First Control Period. The comments by stakeholders are presented below:

**CHIAL's Comments:**

- 2.3.11 CHIAL noted that Income from Rent charged to GH Operators and Airlines has been treated as Aeronautical Income by the Authority. CHIAL submits that the Rent charged to GH Operators and Airlines is purely based on market forces of Chandigarh city and other comparable airports in the nearby region. Further, the space requested by GH operators and Airlines is their business requirements and decisions, and they are not bound to take any space from CHIAL.

In additions, ICAO Document 9562 Airport Economics Manual 1, clearly states the definition of Revenues from Non-aeronautical sources as:

*"Revenues from non-aeronautical sources: Any revenues received by an airport in consideration for the various commercial arrangements it makes in relation to the granting of concessions, the rental or leasing of premises and land, and free-zone operations, even though such arrangements may in fact apply to activities that may themselves be considered to be of an aeronautical character (for example, concessions granted to oil companies to supply aviation fuel and lubricants and the rental of terminal building space*



*or premises to aircraft operators). Also intended to be included are the gross revenues, less any sales tax or other taxes, earned by shops or services operated by the airport itself."*

- 2.3.12 Accordingly, CHIAL has requested to reconsider the revenue from rental of premises to GH Operators and Airlines as non-aeronautical services.

AAI's Comments:

- 2.3.13 AAI also noted that Income from Rent charged to GH Operators and Airlines has been treated as Aeronautical Income by the Authority. AAI requested the Authority to consider space rentals and land lease from Airlines as Non-Aeronautical Income instead of Aeronautical as the space used by airlines is for various activities including administrative work.

**CHIAL's response to Stakeholders' comments on Aeronautical Revenues**

- 2.3.14 CHIAL has not submitted any comments on the comments submitted by AAI.

**Authority's examination after reviewing the Stakeholders comments on True up of Aeronautical Revenues for the First Control Period**

- 2.3.15 The Authority noted the comments of CHIAL and AAI indicating that space taken on rent by GH Operators and Airlines are based on their business requirement. The Authority also notes that CHIAL has noted ICAO principles indicating that revenue from commercial arrangements is treated as Non-Aeronautical revenue.

- 2.3.16 The definition of Aeronautical services in terms of section 2(a) of the Airports Economic Regulatory Authority of India Act, 2008 (the Act) is as follows:

*"Whereas "services provided for (i) the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport; (ii) ground safety services at an airport; (iii) ground handling services relating to aircraft, passengers and cargo at an airport; (iv) the cargo facility at an airport; and (v) supplying fuel to the aircraft at an airport", are "aeronautical services".*

- 2.3.17 From the excerpt of the AERA act stated above it is evident that the services rendered in respect of Cargo, Ground handling and supply of Fuel (CGF) are Aeronautical services and hence same view has been taken with respect to CHIAL's Tariff Determination in line with the principles followed by Authority for all airports except Delhi and Mumbai where the tariff determination is based on the relevant Concession agreements.

- 2.3.18 The space hired by Airlines and Ground Handlers are for the Aeronautical activities and hence it is natural that rental revenues are considered as Aeronautical. This has been followed consistently by Authority in the recent tariff determination process.

- 2.3.19 With respect to ICAO guidelines quoted by CHIAL, these are recommendatory in nature and each country is free to adopt its own policy.

- 2.3.20 Hence, the Authority decides to consider the rental revenues from Airlines and Ground Handlers as Aeronautical Revenues.

**Authority's decisions on True up of Aeronautical Revenues for the First Control Period**

- 2.3.21 Based on the above, the Authority decides to consider Aeronautical revenue for true up of First Control Period as per Table 9.



## 2.4 True up of Regulatory Asset Base

2.4.1 CHIAL submitted the following as Average RAB for the First Control Period:

**Table 10: CHIAL's submission of average aeronautical RAB for the First Control Period**

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	41,850.39	40,010.82	37,753.26	35,425.60	32,515.13	
Add: Capitalization during the year	B	1,137.95	807.35	847.51	518.67	4,820.54	8,132.02
Less: Deletions/ adjustments	C	-	0.05	-	95.47	-	95.53
Less: Depreciation	D	2,977.53	3,064.86	3,175.17	3,160.43	2,386.02	14,764.00
Closing RAB	E=A+B-C-D	40,010.82	37,753.26	35,425.60	32,688.37	33,222.59	
<b>Average RAB</b>	<b>F=Avg (E,A)</b>	<b>40,930.61</b>	<b>38,882.04</b>	<b>36,589.43</b>	<b>34,056.98</b>	<b>32,955.48</b>	

Note:

- Opening block of FY 2020-21 was different from closing block of FY 2019-20 as ratios for allocation between aeronautical and non-aeronautical services differ between the years as per CHIAL's submission.
- Depreciation Expense claimed as part of building block for true up of First Control Period by CHIAL was different from the depreciation used to arrive at closing block as per this table as different methodologies have been adopted.

2.4.2 Analysis of individual components of asset additions and aeronautical RAB submitted by CHIAL were as given below:

### CHIAL's submission for true up of regulatory asset base pertaining to projects approved for the First Control Period

2.4.3 Opening aeronautical RAB for First Control Period, as submitted by CHIAL was as below.

**Table 11: CHIAL's submission of opening aeronautical RAB for true up of First Control Period**

Assets Description (Rs. in Lakhs)	As at 01.04.2016
Building Terminal / Other Building	25,303.10
Building Temporary	14.85
Road Bridges & Culverts – Carpeted	5,472.64
Road Bridges & Culverts – Non-Carpeted -CISF / Security	35.86
Computer & IT Hardware & Access	51.04
Computer & IT Server	153.81
Plant & Machinery-Equipment- freehold	4,289.32
Tools & Equipment	29.10
Furniture & Fixture	631.78
Electrical Installation	5,867.13
Motor Vehicles – Security	0.15
Car jeeps- Security	1.55
Office Equipment	0.05
<b>Total</b>	<b>41,850.39</b>





**Recap of decision taken by the Authority for opening aeronautical RAB at the time of tariff determination for the First Control Period:**

- 2.4.4 The Authority vide its decision number i.e of Order No. 17/2016-17 had decided to consider Rs. 43,690 lakhs as opening aeronautical RAB as on 1<sup>st</sup> April 2016 as detailed below:

**Table 12: Opening aeronautical RAB as approved in First Control Period Order**

As per Order 17/2016-17			
Assets Description (Rs. in Lakhs)	As on 1.4.15	Depreciation 15-16	As at 31.03.16
	A	B	C=A-B
Building Terminal / Other Building	26,584.00	376.00	26,208.00
Building Temporary	16.00	2.00	14.00
Road Bridges & Culverts - Carpeted	5,973.00	178.00	5,795.00
Road Bridges & Culverts – Non-Carpeted - CISF / Security	41.00	5.00	36.00
Computer & IT Hardware & Access	67.77	10.00	57.77
Computer & IT Server	183.02	12.00	171.02
Plant & Machinery-Equipment- freehold	4,878.00	132.00	4,746.00
Tools & Equipment	35.00	2.00	33.00
Furniture & Fixture	727.00	27.00	700.00
Electrical Installation	6,177.81	250.00	5,927.81
Motor Vehicles - Security	0.15	0.01	0.14
Car jeeps- Security	1.64	0.08	1.56
Office Equipment	0.06	-	0.06
<b>Total</b>	<b>44,684.45</b>	<b>994.09</b>	<b>43,690.36</b>

**Authority's examination of the matters regarding True up of Opening Aeronautical RAB for the First Control Period as part of tariff determination for the current control period, at the Consultation stage**

- 2.4.5 The Authority had analyzed the reasons for differences between CHIAL's submission of opening RAB and the Authority's decision in First Control Period Order as detailed below.
- 2.4.6 While the Authority in First Control Period Order had allocated assets on a line-by-line basis into aeronautical and non-aeronautical assets, considering the Aeronautical ratio (Terminal building ratio) at 90.5:9.5 on applicable assets, CHIAL has considered allocation of assets on an overall asset category basis as below:

**Table 13: CHIAL's submission of allocation ratios**

Asset Classification	Allocation %
Apron	100.00%
Building – Temporary	90.50%
Building Terminal	90.50%
Cars & Jeeps – Security	100.00%
Computers & I.T. – Servers	90.50%





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Asset Classification	Allocation %
Computers & I.T. Hardware & Access	90.50%
Elec. Installation/Air Conditioners	90.50%
Furniture & Fixtures	90.50%
Machinery & Equipment	90.50%
Office Appliances	90.50%
Roads, Bridges & Culverts	100.00%
Tools & Equipment	90.50%
Vehicles – Security	100.00%
X Ray Baggage System	90.50%

- 2.4.7 While CHIAL's submission considered a deletion of asset value of Rs. 274.77 lakhs (Rs. 248.67 being aeronautical portion of RAB) effected in the FY 2015-16, Authority's calculation did not consider the same.
- 2.4.8 While CHIAL has adopted useful life of Apron as 5 years, the Authority had considered the same to be 30 years. Hence, depreciation of the same in CHIAL's books in FY 2015-16 was more by Rs. 321.58 lakhs. This had resulted in lower aeronautical RAB being considered by CHIAL for this category.
- 2.4.9 Broad reconciliation of Opening aeronautical RAB as per CHIAL and as considered by the Authority is as follows:

**Table 14: Reconciliation of opening RAB between CHIAL submission and as decided in First Control Period Order**

Particulars	Ref	Amount (Rs. in Lakhs)
Opening aeronautical RAB as per CHIAL Submission	A	41,850.39
Increase in Aeronautical assets as considered by the Authority as compared with CHIAL (due to allocation ratios being different)	B	1,273.47
<b>Depreciation difference due to variation of useful life:</b>		
Apron - CHIAL has considered 5 year as useful life, whereas the Authority has considered 30 years	C1	321.58
Depreciation difference on other assets	C2	-3.76
Aeronautical RAB portion of deletion of terminal building not considered by the Authority but considered by CHIAL	D	248.67
Opening aeronautical RAB considered by the Authority as per First Control Period Order	E=A+B+C1+C2+D	43,690.36

- 2.4.10 As the Authority had evaluated the Opening Aeronautical RAB in detail in the First Control Period, the Authority proposed to consider the same, after adjusting for the asset deletion recorded in the Financial Statements of CHIAL. Accordingly, the opening RAB proposed to be considered by the Authority was as follows:

**Table 15: Revised opening aeronautical RAB for true up of First Control Period by the Authority**

Particulars (Rs. in Lakhs)	As at 1.4.16
Apron	4,311.52
Building Temporary	13.77
Building Terminal	25,937.73
Cars & Jeep Security	1.56
Computers & I.T Servers	170.65





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Particulars (Rs. in Lakhs)	As at 1.4.16
Computers & I.T Hardware and Access	58.20
Electrical Installations/ Air Conditioners	5,927.74
Furniture & Fixtures	699.79
Intangible Asset	-
Machinery & Equipment	4,671.05
Office Appliances	0.06
Roads, Bridges & Culverts	1,518.79
Tools & Equipment	32.29
Vehicles – Security	0.15
X Ray Baggage System	75.75
<b>Total</b>	<b>43,419.05</b>

The difference between the total as per the Authority approved Opening aeronautical RAB as per First Control Period Order (Rs. 43,690.36 Lakhs) as indicated in Table 12 and revised Opening RAB as per above Table 15 (Rs. 43,419.05 Lakhs) is Rs. 271.05 lakhs. The same is on account of asset deleted of Rs. 274.77 lakhs and depreciation on the same of Rs. 3.72 Lakhs. CHIAL has however considered the entire terminal building to be allocated at 90.5% ratio. Hence value considered by CHIAL for same deletion is Rs. 248.67 Lakhs (90.5% of the asset value of Rs. 274.77 Lakhs).

**Authority's examination of the matters regarding True up of Additions to Aeronautical RAB for the First Control Period as part of tariff determination for the current control period at the Consultation stage**

2.4.11 CHIAL had, in its MYTP, submitted a summary of estimated additions to Fixed Assets till 31<sup>st</sup> March 2021 as follows:

**Table 16: CHIAL's submission on additions to gross block for FY17 to FY20 and estimated additions for FY 21**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (est.)	Total
Apron	38.49	0.00	359.19	0.81	1,400.00	1798.50
Building Temporary	101.06	24.66	0.00	0.00	-	125.72
Building Terminal	785.09	211.19	0.00	29.60	-	1025.88
Cars & Jeep Security	0.00	0.00	0.00	15.33	-	15.33
Computers & I.T Servers	0.00	1.64	0.00	0.00	-	1.64
Computers & I.T Hardware and Access	10.02	6.01	0.62	20.37	270.00	307.01
Electrical Installations/ Air Conditioners	110.20	50.88	135.97	133.15	702.87	1133.06
Furniture & Fixtures	7.22	37.79	47.76	3.86	-	96.63
Intangible Asset	0.00	0.00	0.00	0.00	-	0.00
Machinery & Equipment	39.64	478.96	352.78	343.11	2,580.60	3795.09
Office Appliances	1.92	1.21	0.11	9.32	-	12.57
Roads, Bridges & Culverts	48.03	43.35	0.00	0.00	-	91.38





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Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (est.)	Total
Tools & Equipment	20.89	1.43	2.34	15.87	-	40.53
Vehicles – Security	0.68	0.00	0.00	0.00	-	0.68
X Ray Baggage System	85.00	30.43	0.00	0.00	-	115.43
<b>Grand Total</b>	<b>1,248.25</b>	<b>887.55</b>	<b>898.77</b>	<b>571.43</b>	<b>4,953.47</b>	<b>8,559.47</b>

**Recap of decision taken by the Authority for additions to aeronautical RAB at the time of tariff determination for the First Control Period:**

2.4.12 The Authority in its Order No.17/2016-17 had considered the following as additions to gross block for First Control Period.

**Table 17: Additions to gross block as approved in Order No.17/2016-17**

Particulars (Rs. in Lakhs)	Aeronautical	Non-Aeronautical	Common	Total
Building - Terminal	1,118.00	150.00	568.00	1,836.00
X-Ray Baggage System	1,174.00			1,174.00
Electrical Installations/Air Conditioners	1,005.00			1,005.00
Machinery & Equipment	933.00			933.00
Building - Temporary	670.00			670.00
Computers & IT Hardware & Access	90.00			90.00
Roads, Bridges & Culverts - CISF security	44.00			44.00
Apron	43.00			43.00
Electrical Installations/Air Conditioners – Security		25.00		25.00
Furniture & Fixtures - Other than furniture	20.50			20.50
Vehicles - Security	16.50			16.50
Tools & Equipment - Security	11.00			11.00
Tools & Equipment	11.00			11.00
<b>Total</b>	<b>5,136.00</b>	<b>175.00</b>	<b>568.00</b>	<b>5,879.00</b>

2.4.13 The Authority vide its decision no. 1.k of Order No. 17/2016-17 had decided to true up the additions to aeronautical RAB based on the actual date of capitalization.

2.4.14 The Authority sought actual Financial Statements for FY21 together with Fixed Asset register which was submitted by CHIAL. Based on actuals for FY21, the total additions to assets in the First Control Period was as follows:

**Table 18: Additions to gross block in the First Control Period based on actuals for FY21**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Apron	38.49	0.00	359.19	0.81	1676.77	2,075.28
Building Temporary	101.06	24.66	0.00	0.00	0.00	125.72
Building Terminal	785.09	211.19	0.00	29.60	509.43	1,535.31
Cars & Jeep Security	0.00	0.00	0.00	15.33	0.00	15.33
Computers & I.T Servers	0.00	1.64	0.00	0.00	0.00	1.64





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Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Computers & I.T Hardware and Access	10.02	6.01	0.62	20.37	0.00	37.01
Electrical Installations/ Air Conditioners	110.20	50.88	135.97	133.15	54.23	484.42
Furniture & Fixtures	7.22	37.79	47.76	3.86	0.00	96.63
Intangible Asset	0.00	0.00	0.00	0.00	0.00	0.00
Machinery & Equipment	39.64	478.96	352.78	343.11	559.40	1,773.89
Office Appliances	1.92	1.21	0.11	9.32	0.00	12.57
Roads, Bridges & Culverts	48.03	43.35	0.00	0.00	0.00	91.38
Tools & Equipment	20.89	1.43	2.34	15.87	0.78	41.30
Vehicles – Security	0.68	0.00	0.00	0.00	0.00	0.68
X Ray Baggage System	85.00	30.43	0.00	0.00	1831.23	1,946.66
<b>Grand Total</b>	<b>1,248.25</b>	<b>887.55</b>	<b>898.77</b>	<b>571.43</b>	<b>4,631.83</b>	<b>8,237.83</b>

2.4.15 A broad comparison of the estimated capital expenditure with the actual capital expenditure was as detailed below. Line-item wise details of the below is given separately in Annexure 2.

**Table 19: Variance summary of approved and actual additions to gross block for First Control Period**

Summary (Rs. in Lakhs)	Ref.	As per order	Actuals	Difference
		A	B	C=B-A
Projects where cost incurred was greater than cost approved	Annex 2a	2,060.16	3,709.78	1,649.62
Projects where cost incurred was lesser than cost approved	Annex 2b	2,593.49	1,464.64	-1,129.85
Projects which were not in the additions estimate of First Control Period but incurred	Annex 2c	-	3,064.41	3,064.41
Projects approved but not incurred	Annex 2d	1,225.50	-	-1,225.50
<b>TOTAL</b>		<b>5,879.15</b>	<b>8,237.83</b>	<b>2,358.68</b>

2.4.16 With respect to items where the incurred amount was greater than that approved in First Control Period Order, the Authority had sought justifications from CHIAL. Justifications as provided by CHIAL for variances above Rs. 50 Lakhs are listed under:

**Table 20: Major variances – Projects where cost incurred was greater than cost approved**

Asset description as submitted during First Control Period Order (Rs. In Lakhs)	As approved	As incurred	Variance	Justification as provided by CHIAL
One PBB	540.00	832.22	292.22	Originally there were 3 PBBs installed in the terminal building. Out of these 3, one had to be impaired. As per original master plan 5 PBBs could be installed. Hence added 2 new and 1 to substitute for the impaired PBB. Projected cost was for 1 PBB but actual was for 3. This was done to facilitate passenger movement.



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Asset description as submitted during First Control Period Order (Rs. In Lakhs)	As approved	As incurred	Variance	Justification as provided by CHIAL
Misc.- Electrical Work	103.03	200.64	97.61	Since these expenses were not anticipated at the time of projection, actual expenses were more than projected. Actual expenditure is mainly on account of Illuminated flag on 100 ft monumental flag post, SITC of led light fixtures, Gas suppression system in IT panels server room, procurement of Signages, SITC of HT cables, Split AC water cooler, Dewatering pump, and other electrical items.
Furniture for PAX Facility	15.00	88.27	73.27	Actual Furniture was mainly on account of Furniture to CISF, Inauguration plaque and inspection/stamping table, providing and placing traffic barricades etc, Replacement of entrance mats at entrance gate of arrival and departure area, procurement of table and chairs sets within the arrival area for passenger facilitation. The quantification of the furniture was decided based on passenger throughput and peak hours requirement which has increased over a period.
In-Line XBIS (CTX)	1,000.00	1,831.23	831.23	In-Line X -Ray baggage is the security equipment for baggage screening and is the responsibility of the airport operator to provide the same. There was a cost overrun because of estimates being projected lower.
Hand Baggage XBIS	174.25	462.11	287.86	The actual expenditure consists of 2 major expenses, X ray machine and baggage handling system - arrival carousels but the approved amount was only for Hand Baggage XBIS. X-ray baggage machine has been acquired on finance lease model. Baggage handling system has been put in place to ease passenger movement in international side.
<b>TOTAL</b>	<b>1,832.28</b>	<b>3,414.47</b>	<b>1,582.19</b>	

Table 21: List of Major items which were not approved but incurred and added to Gross Block

Asset description	Incurred (Rs. in Lakhs)	Justification by CHIAL
Extension of Apron for night parking	1,676.77	The need for such a spend is based on requests received from airlines for night parking. Thus, increasing the business to the airport even during pandemic.
Capitalize Construction Of 02 Nos Fix Finger	509.43	While the building plan always contained plan to build fixed finger, the same was not executed due to capital constraints. With increase in passenger traffic, it was decided to go ahead with the construction.
Additional cost of Terminal Building to AAI	383.84	This was unforeseen expenditure as the same was communicated from AAI - as remaining to be paid to contractor for terminal building - CHIAL's share.



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Asset description	Incurred (Rs. in Lakhs)	Justification by CHIAL
Apron and Linked Taxi Track - Resurfacing of Runway	359.19	After the resurfacing of runway, there was level difference in the taxi track on CHIAL side connecting the Runway. Accordingly merging of Taxi Track work has been carried out.
Electrical Works Like SITC of High Mast Street Light Poles Supply and Laying of Cable LT Panel Runway Cable etc	51.06	-
<b>TOTAL</b>	<b>2,980.28</b>	

2.4.17 Detailed explanations regarding capital expenditure given by CHIAL are recorded as part of Annexure 2. The Authority noted that:

- In certain cases where the expenses actually incurred are more than the projected amounts, explanation provided by CHIAL demonstrated the justification for such spends together with detailing of the process of award and internal approvals.
- In certain cases, the Authority noted that CHIAL needs to make more realistic estimates in case of projections since the variance between projections and actuals were significant. The Authority expected CHIAL to ensure that this was appropriately considered in the future control periods.

2.4.18 Based on the above analysis, the Authority proposed to consider total additions of Rs. 8,237.83 Lakhs as detailed in Table 18.

2.4.19 The Authority had analyzed the project-wise variances in capitalization considered and noted that CHIAL had not considered additions to intangible assets in FY20 of Rs. 24.5 Lakhs in its submissions which the Authority noted was inadvertently missed. This was included in re-computation of additions to RAB by the Authority.

**CHIAL's submissions relating to asset allocation for the First Control Period**

2.4.20 CHIAL had submitted that the allocation of common assets was considered by the Authority as part of Order 17/2016-17 in the ratio of 90.5:9.5. CHIAL had used an asset category wise allocation to segregate between Aeronautical and Non-Aeronautical assets. Accordingly, allocation of asset additions between Aeronautical and Non-Aeronautical for the First Control Period (after true up of FY21 numbers based on actuals) were as below:

**Table 22: CHIAL's submission of aeronautical and non-aeronautical assets**

Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Aeronautical Assets	1,137.95	807.35	847.51	518.67	4,820.54	<b>8,132.02</b>
Non- Aeronautical Assets	110.30	80.20	51.26	52.75	132.93	<b>427.44</b>
<b>TOTAL</b>	<b>1,248.25</b>	<b>887.55</b>	<b>898.77</b>	<b>571.43</b>	<b>4,953.47</b>	<b>8,559.47</b>
<b>% Aeronautical Assets</b>	<b>91.16%</b>	<b>90.96%</b>	<b>94.30%</b>	<b>90.77%</b>	<b>97.32%</b>	<b>95.01%</b>



**Recap of decision taken by the Authority for allocation of assets at the time of tariff determination for the First Control Period**

2.4.21 The Authority vide its decision 1.d of Order No. 17/2016-17 had decided to allocate common area in the terminal building into aeronautical and non-aeronautical and the relevant assets in the ratio of 90.50% and 9.50%.

**Authority's examination of the matters regarding asset allocation for computing Aeronautical RAB for the First Control Period as part of tariff determination for the current control period at the Consultation stage**

2.4.22 For the purpose of computing Average Aeronautical RAB, CHIAL had allocated assets based on category of assets, but the Authority proposed to consider allocation on an individual asset basis.

2.4.23 The process followed by the Authority in the segregation of assets into aeronautical and non-aeronautical assets for the First Control Period was as follows:

- Assets which are fully aeronautical / non-aeronautical were identified.
- Assets which could not be segregated into aeronautical and non-aeronautical were identified as common assets.
- The common assets were segregated into aeronautical and non-aeronautical assets based on "Proportion of the Weighted Average Terminal Space" as agreed in First Control Period Order of 90.5:9.5.

2.4.24 Based on the total additions listed in Table 18, considering the allocation basis as detailed in Para above, additions to aeronautical RAB for the First Control Period as proposed by the Authority was as summarized in the table below:

**Table 23: Additions to aeronautical RAB proposed for true up of the First Control Period by the Authority**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	TOTAL
Apron	38.49	-	359.19	0.81	1,676.77	2,075.28
Building Temporary	101.06	24.66	-	-	-	125.72
Building Terminal	605.33	208.81	-	26.78	509.43	1,350.36
Cars & Jeep Security	-	-	-	15.33	-	15.33
Computers & I.T Servers	1.01	1.48	-	0.38	-	2.88
Computers & I.T Hardware and Access	8.05	5.57	0.59	18.05	-	32.26
Electrical Installations/ Air Conditioners	93.53	48.19	125.49	130.48	53.92	451.61
Furniture & Fixtures	7.22	36.18	43.38	3.68	-	90.46
Intangible Asset	-	-	-	22.20	-	22.20
Machinery & Equipment	39.64	433.46	352.20	342.79	559.40	1,727.49
Office Appliances	1.85	1.13	0.10	8.49	0.30	11.88
Roads, Bridges & Culverts	48.03	43.35	-	-	-	91.38
Tools & Equipment	20.89	1.43	2.12	15.87	0.78	41.08
Vehicles – Security	0.68	-	-	-	-	0.68
X Ray Baggage System	85.00	30.43	-	-	1,831.23	1,946.66
<b>Grand Total (B)</b>	<b>1,050.80</b>	<b>834.70</b>	<b>883.07</b>	<b>584.88</b>	<b>4,631.83</b>	<b>7,985.27</b>
<b>Total additions to assets considered by the Authority</b>	<b>1,248.25</b>	<b>887.49</b>	<b>898.77</b>	<b>595.96</b>	<b>4,631.83</b>	<b>8,262.30</b>
<b>% Allocation</b>	<b>84.18%</b>	<b>94.05%</b>	<b>98.25%</b>	<b>98.14%</b>	<b>100.00%</b>	



**Stakeholders' comments on Additions to RAB for the First Control Period**

- 2.4.25 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of Regulatory Asset Base for the First Control Period. The comments by stakeholders are presented below:

**FIA's Comments:**

- 2.4.26 FIA appreciates that AERA has sought justification from CHIAL in cases where the incurred amount on capital expenditure is greater than that approved in 'First Control Period', AERA is requested to undertake an independent study for efficient capital expenditure, more particularly, in view of the following remark by AERA:

*'In certain cases, the Authority notes that CHIAL needs to make more realistic estimates in case of projections since the variance between projections and actuals are significant. The Authority expects CHIAL to ensure that this is appropriately considered in the future control periods.'*

- 2.4.27 Similarly, an independent study for determination for asset allocation should also be undertaken by expert body/agencies. Such independent studies to be conducted by AERA will be in accordance with the Airports Economic Regulatory Authority of India Act, 2008 (AERA Act), and will ensure that realistic estimates for projections are applied, which may result in lower Aggregate Revenue Requirement (ARR) and tariff.
- 2.4.28 Further, AERA should ensure that no deviations of capex/costs are approved than the rates prescribed under the AERA Normative Order No. 07/2016-17 "*In the matter of normative approach to building blocks in economic regulation of major airports – capital costs reg.*" dated 13.06.2016.

**CHIAL's response to Stakeholders' comments on Additions to RAB**

In response to FIA's comments:

- 2.4.29 CHIAL has started its operations only in September 2015 and considering the new infrastructure CHIAL had considered a minimal capital expenditure requirement during first control period. However, the actual expenditure is based on the actual requirement at ground realities and request from airlines. Variation in projects cost is due to the change in technology and change of estimates. The detailed justification has already been submitted to the Authority.
- 2.4.30 CHIAL also clarified that they have not undertaken any changes in terminal layout since its inception in Sept 2015, therefore the Terminal area ratio is in the line of the terminal ratio approved by the Authority in 1st MYTP. Hence, the same has been considered by CHIAL in the 2nd control period also.

**Authority's examination after reviewing the stakeholders' comments on Additions to RAB for the First Control Period**

The Authority duly considered the comments from FIA and counter comments from CHIAL and addressed the same below:

- 2.4.31 The Authority has carried out in-house evaluation in association with the consultant appointed by AERA.
- 2.4.32 During the first control period, Authority has reviewed the Terminal Building space allocation, evaluated the building plan, and allocated the same between Aeronautical and Non-Aeronautical. There have been no changes to the Terminal Building area in the First and Second Control Period and hence the Authority finds no reason to carry out a fresh study for the same. All other asset line items have been reviewed in detail and allocated between Aeronautical and Non-Aeronautical.
- 2.4.33 The Authority has evaluated the costs incurred in the First Control Period based on the cost benchmarks defined in the Normative Order and finds them to be reasonable and within the limits.





**Authority's decisions on Additions to RAB for the First Control Period**

2.4.34 The Authority decides to consider additions to RAB as per Table 23.

**2.5 True up of Depreciation****CHIAL's submission for true up of depreciation**

2.5.1 CHIAL submitted the following true up for depreciation of the First Control Period.

**Table 24: CHIAL's submission of aeronautical depreciation for the First Control Period**

Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Aeronautical depreciation	2,879.16	2,966.38	3,074.46	3,063.68	2,174.05	14,157.72

**Recap of decision taken by the Authority for depreciation at the time of tariff determination for the First Control Period**

2.5.2 The Authority vide its decision number 1.1 of Order No.17/2016-17 had decided to true up depreciation as and when the decision to revise the depreciation rates is taken.

**Authority's examination of the matters regarding True up of depreciation for the First Control Period as part of tariff determination for the current control period at the Consultation stage**

2.5.3 The Authority sought actual Financial Statements for FY21 which was submitted by CHIAL. The same was considered for true up of depreciation.

2.5.4 The Authority noted from the Financial Statements of CHIAL that CHIAL had computed the depreciation based on useful lives which are different from Order 35.

2.5.5 The Authority noted that Depreciation estimate submitted by CHIAL for FY 21 had formula inconsistencies leading to incorrect computations.

2.5.6 The Authority had proposed to compute depreciation on the following principles:

- Useful Life for FY17 and FY18 for computing depreciation was based on the useful life considered as per Order No. 17/ 2016-17, using 5% residual value as computed by CHIAL.
- As Order 35 has been effective from 1<sup>st</sup> April 2018, the Authority proposed to consider useful life as per Order 35 or useful life as per CHIAL whichever is higher.
- Considering general practice in Airports of not having residual values on assets, the Authority proposed to compute depreciation considering no residual value from 1<sup>st</sup> April 2018.
- While the significant difference in useful live is in the category of Apron where CHIAL considers 5 years as life, whereas Order 35 prescribes a life of 30 years, a tabulation of asset category wise useful lives proposed to be considered post 1<sup>st</sup> April 2018 was as below:

**Table 25: Comparison of Useful life considered by CHIAL v/s Authority**

Particulars	Useful life as per Order 35 (in years)	Useful Life adopted by CHIAL (in years)	Useful Life adopted by Authority from 01/04/2018
Apron	30	5	30
Building – temporary	3	3	3
Building terminal	30	30	30
Cars & jeeps – security	8	8	8
Computers & I.T. – servers	6	6	6





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Particulars	Useful life as per Order 35 (in years)	Useful Life adopted by CHIAL (in years)	Useful Life adopted by Authority from 01/04/2018
Computers & I.T. hardware & access	3	3	3
Electrical installation/air conditioners (specific assets) *	10	2	2
Electrical installation/air conditioners	10	10	10
Furniture & fixtures	7	10	10
Intangible asset	6	6	6
Machinery & Equipment	15	10	15
Machinery & Equipment (specific assets) **	15	15	6
Machinery & Equipment	15	15	15
Office appliances	5	5	5
Roads, bridges & culverts	5	5	5
Tools & Equipment – Ladders/ Grass cutters etc.	15	5	15
Tools & Equipment	15	10	15
Vehicles – security	8	10	10
X ray baggage system	15	15	15

Note:

\* Electrical installation/air conditioners- The useful life as per Order 35 is 10 years but in some cases assets such as used escalators (value of Rs.30.64 Lakhs) have been transferred from AAI. In this case remaining life has been considered for the depreciation calculation by CHIAL and the Authority alike.

\*\* Machinery & Equipment- The useful life for Machinery & Equipment is 15 years as per Order 35. However, one asset (an x-ray machine), of value Rs. 105.68 Lakhs has been taken on lease for 6 years, therefore the life considered is the life of lease for the Authority's computation. Since this asset is part of Machinery & Equipment of CHIAL's Fixed Asset Register, CHIAL has considered 15 years to be the useful life.

- 2.5.7 One passenger boarding bridge was transferred from AAI to CHIAL during FY16 at book value of Rs. 89.19 lakhs. This has been impaired in the Financial Statements and written down to zero value in FY19. On enquiry it was noted that during course of utilisation of PBB, the said PBB was not working satisfactorily and became unserviceable, hence decision was taken by competent the Authority to impair the PBB during FY19. While the Authority had considered this additional cost / depreciation charge, the Authority noted this as an extraordinary exception and such need for write off of assets would not happen going forward.
- 2.5.8 Based on the above, the Authority's computation of Aeronautical depreciation was as follows:

**Table 26: Depreciation on Aeronautical RAB proposed for true up of the First Control Period by the Authority**

Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Apron	138.86	139.62	152.27	159.74	173.68	764.17
Building Temporary	15.25	37.04	47.02	32.01	8.18	139.50
Building Terminal	873.05	894.69	950.37	950.69	959.77	4,628.57
Cars & Jeep Security	0.20	0.20	0.21	0.90	2.13	3.63
Computers & I.T Servers	29.05	29.34	32.18	32.20	32.25	155.02
Computers & I.T Hardware and Access	22.81	25.18	19.82	6.25	6.56	80.63
Elec. Installations/ Air Conditioners	591.95	596.70	647.90	666.52	686.80	3,189.87
Furniture & Fixtures	69.57	70.67	81.73	82.92	83.13	388.02





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Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Intangible Asset	-	-	-	0.86	3.70	4.56
Machinery & Equipment	305.98	331.01	444.25	398.93	427.83	1,908.01
Office Appliances	0.04	0.35	0.51	1.28	2.22	4.39
Roads, Bridges & Culverts	325.55	326.94	360.52	360.52	218.72	1,592.25
Tools & Equipment	7.07	8.05	7.59	8.44	6.28	37.43
Vehicles – Security	0.03	0.08	0.08	0.08	0.08	0.36
X Ray Baggage System	7.96	11.95	12.94	12.94	76.49	122.28
<b>Depreciation on Aeronautical RAB</b>	<b>2,387.38</b>	<b>2,471.81</b>	<b>2,757.39</b>	<b>2,714.28</b>	<b>2,687.83</b>	<b>13,018.68</b>

**Stakeholders' comments on Depreciation for the First Control Period**

- 2.5.9 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in Consultation Paper No.09/2021-22 with respect to determination of Depreciation for the First Control Period. The comments by stakeholders are presented below:

**FIA's Comments:**

- 2.5.10 FIA submitted that AERA should consider the useful life of Building including Terminal Building as sixty (60) years as envisaged in AERA Order No. 35/2017-18 read with Schedule II of Companies Act 2013, as applicable, and revise the amount of depreciation accordingly. It is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years. FIA also submitted that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA. Thus, AERA should prescribe sixty (60) years for the building including Terminal Building as is practiced by some of the developed aviation ecosystem.

**CHIAL's response to Stakeholders' comments on Depreciation**

In response to FIA's comments:

- 2.5.11 The Authority's order and Companies Act 2013 provides useful life for Terminal Buildings as "30 years or 60 years, as evaluated by the Airport Operator". In this regard, CHIAL's management has considered a life of 30 years, which is in line with Companies Act 2013 as well as the Authority's Order No. 35/2017-18. Further it is worthwhile to mention that the per sq mtr cost at the airport mentioned by FIA may be very high and it is understood that the Authority has considered and rationalized the fact of difference of per sq mtr cost while considering the life of the assets.

**Authority's examination after reviewing the stakeholders' comments on Depreciation for the First Control Period**

- 2.5.12 The Authority duly considered the comments from Stakeholders and counter comments from CHIAL.  
 2.5.13 CHIAL has considered the useful life in accordance with the Useful Life Order issued by AERA. Since, the Order allows the airport operator to choose the 'Useful Life' of the Terminal Building, therefore, Authority decides to accept their proposal.





**Authority's decisions on Depreciation for the First Control Period**

2.5.14 The Authority decides to consider depreciation for First Control Period as per Table 26 .

**2.6 True up of Average RAB****CHIAL's submission of true up of Average aeronautical RAB**

2.6.1 CHIAL had submitted the following average RAB for true up of First Control Period based on its submission of Opening RAB, Depreciation etc as detailed above.

**Table 27: CHIAL's submission for average aeronautical RAB for First Control Period**

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	41,850.39	40,010.82	37,753.26	35,425.60	32,515.13	
Add: Additions to RAB	B	1,137.95	807.35	847.51	518.67	4,820.54	<b>8,132.02</b>
Less: Disposals	C		0.05		95.47		<b>95.53</b>
Less: Depreciation	D	2,977.53	3,064.86	3,175.17	3,160.43	2,386.02	<b>14,764.00</b>
Closing RAB	E=A+B-C-D	<b>40,010.82</b>	<b>37,753.26</b>	<b>35,425.60</b>	<b>32,688.37</b>	<b>33,222.65</b>	
Average RAB	F= Avg(A,E)	<b>40,930.61</b>	<b>38,882.04</b>	<b>36,589.43</b>	<b>34,056.99</b>	<b>32,955.51</b>	

**Authority's examination of the matters regarding True up of average Aeronautical RAB for the First Control Period as part of tariff determination for the current control period at the Consultation stage:**

2.6.2 The Authority noted various inconsistencies in the manner in which Average RAB was computed by CHIAL as detailed below:

- Closing net block for FY21 taken for Average aeronautical RAB calculation did not include value of Apron of Rs. 1,727 lakhs (estimated) due to an error in the formulae applied.
- Gross value of opening aeronautical RAB for the year FY21 was arrived at by using weighted average aeronautical value for each category of asset rather than standard ratios used from FY17 to FY20 for allocation of assets.
- Depreciation for the FY21 was taken as Rs. 2,386.02 lakhs for computing the closing aeronautical RAB of FY21. This was only the depreciation on opening gross assets as per Fixed Asset register and did not include depreciation on the additions for the FY21.

2.6.3 While computing the aeronautical depreciation of Rs. 2,386.02 lakhs for FY21, residual value of 10% was adjusted twice due to an apparent error in the formula.

2.6.4 For computation of closing aeronautical RAB for FY21, depreciation on entire assets (both Aeronautical and Non-aeronautical assets) had been considered as reduction from Aeronautical RAB.

2.6.5 In computation of accumulated depreciation, current year depreciation of Rs. 6 lakhs was not added to category - Roads, Bridges & Culverts- Non-Carpeted-CISF Security due to an error in formula.

2.6.6 X-ray baggage scanning equipment was taken on lease by CHIAL. Due to adoption of INDAS requirements this was classified as finance lease in FY19 and consequently as "Right of Use" Asset from FY20 at Rs.



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97.35 lakhs in books. This was considered as disposal (Rs. 105.68 lacs minus depreciation Rs. 8.33 Lakhs) and not part of the Average RAB calculations made by CHIAL inadvertently. The Authority had considered the same for computation of Average RAB.

- 2.6.7 The Authority sought actual Financial Statements for FY21 which was submitted by CHIAL. On this basis of the same, CHIAL's submission updated for actual numbers was as follows:

**Table 28: CHIAL's submission updated with actual additions to Aeronautical RAB**

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Opening RAB	A	41,850.39	40,010.82	37,753.26	35,425.60	32,515.13*	
Add: Additions to RAB	B	1,137.95	807.35	847.51	518.67	4,499.07	<b>7,810.56</b>
Less: Disposals	C	-	0.05	-	95.47	-	<b>95.53</b>
Less: Depreciation	D	2,977.53	3,064.86	3,175.17	3,160.43	2,386.02	<b>14,764.00</b>
Closing RAB	E=A+B-C-D	40,010.82	37,753.26	35,425.60	32,688.37	32,623.75**	-
<b>Average RAB</b>	<b>F= Avg (A,E)</b>	<b>40,930.61</b>	<b>38,882.04</b>	<b>36,589.43</b>	<b>34,056.98</b>	<b>32,569.44</b>	-

\* Opening Aeronautical RAB for FY21 is different from closing aeronautical RAB of FY20 because Gross value of opening aeronautical RAB for the year FY21 was arrived at by using weighted average aeronautical value for each category of asset rather than standard ratios used from FY17 to FY20 for allocation of assets.

\*\* Closing Aeronautical RAB for FY21 taken for Average aeronautical RAB calculation does not include value of Apron of Rs. 2,003.84 lakhs (actuals) due to an error in the formulae applied.

- 2.6.8 Based on the Authority's methodology and analysis of Opening RAB, additions to RAB and depreciation calculation as detailed in the paragraphs earlier, the average Aeronautical RAB as estimated by the Authority for the true up of First Control Period in the current tariff determination process was as below:

**Table 29: Aeronautical RAB proposed for true up of the First Control Period by the Authority**

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	TOTAL
Opening RAB (Table 15)	A	43,419.05	42,082.46	40,445.35	38,571.03	36,441.63	
Add: Capitalization during the year (Table 23)	B	1,050.80	834.70	883.07	584.88	4,631.83	<b>7,985.27</b>
Less: Disposals	C	-	-	-	-	0.54	<b>0.54</b>
Less: Depreciation (Table 26)	D	2,387.38	2,471.81	2,757.39	2,714.28	2,687.83	<b>13,018.68</b>
Closing RAB	E=A+B-C-D	42,082.46	40,445.35	38,571.03	36,441.63	38,385.09	
<b>Average RAB</b>	<b>F= Avg (A,E)</b>	<b>42,750.75</b>	<b>41,263.91</b>	<b>39,508.19</b>	<b>37,506.33</b>	<b>37,413.36</b>	



**Stakeholders' comments on Average RAB for the First Control Period**

- 2.6.9 The Authority has not received any comment from stakeholders with respect to True Up of Average RAB for the First Control Period.

**Authority's examination and decision after reviewing the stakeholders' comments on Average RAB for the First Control Period**

- 2.6.10 The Authority decides to consider Average RAB for the First Control Period in line with its proposal in Consultation Paper No.09/2021-22 as presented in Table 29.

**2.7 True up of Return on Land****CHIAL's submission on Return on Land**

- 2.7.1 CHIAL had submitted the following as claim for return on land for First Control Period.

**Table 30: CHIAL's submission of return on land for First Control Period**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	TOTAL
Land Value	40,786.85	40,786.86	40,786.86	40,786.86	40,786.86	
Rate of Return	11.25%	10.65%	11.05%	10.15%	9.40%	
Return Value	4,783.85	4,562.93	4,709.93	4,380.87	4,111.61	22,549.20

**Recap of decision taken by the Authority for Return on Land at the time of tariff determination for the First Control Period**

- 2.7.2 In the First Control Period Order no. 17/2016-17 dated 27<sup>th</sup> March, 2017 of CHIAL, the Authority had noted that *"The Authority has observed that land normally appreciates in value and no depreciation on land is permissible. If FRoR on land value is applied in calculation of ARR, it leads to a higher aeronautical tariff perpetually. At the same time, benefit of increase in market value of land will never be passed on to the passengers as the land will never be sold separately by the airport operator. The Authority is of view that a proper study is to be conducted to determine the return to be provided on cost of land before a final view can be taken."* and recorded its decision 1.a on Land cost return as follows:  
*"Remove land cost from RAB for the time being and will take a view based on the study to be conducted on the return to be provided on land cost in future."*

**Authority's examination of the matters regarding Return on Land for the First Control Period as part of tariff determination for the current control period at the Consultation stage:**

- 2.7.3 The Authority had since issued the Land Return Order No. 42/2018-19 after the issue of Order for First Control Period. This Order prescribes the methodology for computation of the return on land and notes that this will take effect from the next control period. Accordingly, the return on land was calculated from the Second Control Period as detailed in Section 5.

**Stakeholders' comments on Return on Land for the First Control Period**

- 2.7.4 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of Return on Land for the First Control Period. The comments by stakeholders are presented below:



CHIAL's comments

- 2.7.5 CHIAL submitted that Land was purchased long back in the year 2015 and return of the same has not been considered by the Authority in the First Control Period, if return on land is deferred by the Authority, then it also aggravates the issue by not providing any time value of money on the investments in Land.
- 2.7.6 Cost of Debt considered by the Authority, is the cost of financing for Airport Authority of India (AAI). AAI is an institution formed by Constitutional provisions and therefore enjoys the benefits of Sovereign Guarantee and able to get a better of rate from the financial institutions/Foreign currency loan, where their cost of financing can be as low as 2%-4%.
- 2.7.7 The Authority vide order no. 42/2018-19 dated 5th March 2019 states that SBI rate plus 2% will be return on land for the Airport operator who has purchase the land. The act is silent in case of debt free companies. It is to mention that the authority has consider the return on land for CHIAL is just 6.21% on the basis of cost of debt of AAI and consider return on only 201 acres land against the CHIAL submission of 270 acres. On the other hand, Joint Venture airports are able to take debt on slightly higher rate and the Authority has acknowledged these rates in their recent Consultation Papers or Orders, for example:
- Hyderabad Airport: 8.82% p.a.
  - Bangalore Airport: 7.85% p.a
  - Kochi Airport: 7.80% p.a
  - Delhi Airport: 9.87% p.a [Refer: Para 5.5.8 and Table No 103, Order No. 57/2020-21]
  - Mumbai Airport: 10.3% p.a [Refer: Para 5.6.2, Order No. 64/2020-21]
- 2.7.8 Authority has proposed to take the return on land only on the land actually used for aeronautical purpose. It is requested to give compounding impact of cost of inflation index (CII) on cost of land from the actual date of purchase i.e from 2015. Hence, the return on cost of land for second control period may be provided on the compounded value of cost of land taking into consideration the cost of inflation index for the first control period.
- 2.7.9 CHIAL requested to reconsider SBI Base rate + 2% as applicable as per AERA vide order no. 42/2018-19 dated 5<sup>th</sup> March 2019.

GMADA's Comments:

- 2.7.10 GMADA submitted they had invested in land of CHIAL way back in the year 2015 and deferment of return on land till Second Control Period and not considering the inflationary impact over a period of time on cost of land is discouraging to Shareholders.

Authority's examination after reviewing stakeholders' comments on Return on Land for the First Control Period

- 2.7.11 The Authority duly considered the comments from CHIAL and GMADA and is of the view that:
- As per Land Return Order No. 42/2018-19 of AERA dated 5th March 2019, Land return is proposed to be provided on land used for aeronautical purpose and land area currently in use by the Airport primarily the land was acquired by the Airport Operator for Aeronautical purpose and not to keep it unutilized. Accordingly, the Authority decides to give return on land currently used for Aeronautical purposes only. If the unused portion is utilized for Aeronautical purposes, in future, return on land will be given from the date such land is put to use.
  - As per Land Return Order No. 42/2018-19 dated 5th March 2019, return on land will be given from the next control period. Accordingly, the Authority decides to compute return on Land from the second control period.



- The Authority notes that land for CHIAL has been contributed by way of equity by GMADA and HUDA and there is no debt incurred for purchase of land. CHIAL is subsidiary of AAI with Government of Punjab and Government of Haryana as shareholders. If CHIAL had taken debt, it would have got it on the same debt rate as AAI on the basis of the strength of its Shareholders. Hence the cost of debt that will be available to CHIAL will be closer to the cost of debt for AAI. In view of absence of debt being taken for funding the land, as a next best option, the Authority has adopted AAI's cost of debt for computing the return.

**Authority's decisions on Return on Land for the First Control Period**

- 2.7.12 The Authority decides to consider Return on Land from Second Control Period as per Land Return Order No. 42/2018-19 of AERA dated 5th March 2019.

**2.8 True up of Fair Rate of Return**

**CHIAL's submission for true up of Fair Rate of Return (FRoR)**

- 2.8.1 CHIAL had considered Fair Rate of Return (FRoR) as 14% in MYTP for true up of First Control Period.

**Recap of decision taken by the Authority for FRoR at the time of tariff determination for the First Control Period**

- 2.8.2 The Authority vide decision no. 2.a of Order No. 17/2016-17 had considered FRoR at 14% p.a. for CHIAL for the First Control Period considering that it would have sufficient internal accruals to fund proposed additions to RAB during the control period and that no debt will be required. The Authority had also decided to true up the FRoR for the First Control Period at the time of tariff determination for the Second Control Period.

**Authority's examination of the matters regarding True up of FRoR for the First Control Period as part of tariff determination for the current control period at the Consultation stage:**

- 2.8.3 The Authority noted that CHIAL did not have any debt in the First Control Period. Accordingly, the Authority did not propose any change in the cost of equity i.e. @14% for the First Control Period.

**Stakeholders' comments on FRoR for the First Control Period**

- 2.8.4 During the stakeholder consultation process, the Authority has received no comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of FRoR for the First Control Period.

**Authority's examination and decisions after reviewing stakeholders' comments on FRoR for the First Control Period**

- 2.8.5 The Authority after noting that there were no comments from the stakeholders on FRoR for the First Control Period, decided to consider FRoR for First Control Period as 14%.

**2.9 True up of Operating expenses**

**CHIAL's submission for true up of operating expenses**

- 2.9.1 CHIAL had submitted the following aeronautical operating expenses for true up of the First Control Period with estimated values for FY21:



**Table 31: Aeronautical Operating expenses for the First Control Period as submitted by CHIAL**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Payroll Related Expenditure	401.01	483.59	452.99	500.57	610.56	2,448.71
Administrative & General Expenditure	331.17	533.62	796.81	871.18	683.47	3,216.24
Repairs & Maintenance Expenditure	206.22	410.92	536.76	669.87	719.13	2,542.91
Utilities & Outsourcing Expenditure	695.61	617.17	676.97	891.07	789.55	3,670.36
Finance cost	47.56	68.57	80.55	145.05	-	341.73
<b>Total operating expense</b>	<b>1,681.56</b>	<b>2,113.87</b>	<b>2,544.08</b>	<b>3,077.73</b>	<b>2,802.71</b>	<b>12,219.97</b>

Further CHIAL had submitted the ratio for allocation of expenses between Aeronautical & Non-Aeronautical services as below:

**Table 32: CHIAL's submission of allocation ratios for Operating Expenses for the First Control Period**

Particulars	Aeronautical	Non-Aeronautical
Payroll Related Expenditure	92.69%	7.31%
Housekeeping & Cleaning works	100.00%	0.00%
Facilitation Expenses	90.50%	9.50%
Hire charges Others, lease rental & Rent Rates & taxes	92.69%	7.31%
Hire charges Inline X-Ray Baggage Manpower	92.69%	7.31%
Collection charges on PSF	90.50%	9.50%
Corporate Social Responsibility	0.00%	100.00%
Insurance expenses	90.50%	9.50%
Consumption of Stores & Spares	90.50%	9.50%
Consultancy Charges	90.50%	9.50%
Printing & Stationery	90.50%	9.50%
Administrative & General Expenditure	90.50%	9.50%
Repairs & Maintenance Expenditure	90.50%	9.50%
Utilities Expenditure	100.00%	0.00%

**Recap of decision taken by the Authority for Operating Expenses at the time of tariff determination for the First Control Period**

- 2.9.2 The Authority had decided to true-up operating expenses for the First Control Period at the time of determination of tariff for the Second Control Period vide decision number 3.b of Order No.17/2016-17:

**Table 33: Aeronautical Operating expenses as considered by the Authority for the First Control Period at the time of tariff determination for the First Control Period**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll Related Expenditure	462.00	701.00	750.00	802.00	859.00	3,574.00
Administrative & General Expenditure	206.00	281.00	295.00	310.00	326.00	1,418.00





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Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Repairs & Maintenance Expenditure	454.00	490.00	539.00	593.00	652.00	2,728.00
Utilities & Outsourcing Expenditure	784.00	610.00	653.00	699.00	748.00	3,494.00
<b>Total operating expense</b>	<b>1,906.00</b>	<b>2,082.00</b>	<b>2,237.00</b>	<b>2,404.00</b>	<b>2,585.00</b>	<b>11,214.00</b>

**Authority's examination of the matters regarding True up of Operating expenses for the First Control Period as part of tariff determination for the current control period at the Consultation stage:**

2.9.3 The Authority had sought actual Financial Statements for FY21 which was submitted by CHIAL. The same was considered for true up of aeronautical operating expense as given below:

**Table 34: CHIAL's submission of aeronautical operating expense after considering the actual cost for FY21**

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Payroll Related Expenditure	401.13	483.74	453.13	500.72	513.65	2,352.36
Administrative & General Expenditure	331.19	533.66	796.86	871.21	747.46	3,280.37
Repairs & Maintenance Expenditure	206.22	410.92	536.76	669.87	495.88	2,319.67
Utilities & Outsourcing Expenditure	695.61	617.17	676.97	891.07	442.58	3,323.40
Finance cost	47.56	68.57	80.55	145.05	5.70	347.43
<b>Total</b>	<b>1,681.71</b>	<b>2,114.05</b>	<b>2,544.28</b>	<b>3,077.92</b>	<b>2,205.27</b>	<b>11,623.22</b>

2.9.4 The Authority had reviewed the actual costs vis a vis estimates considered earlier. Analysis of the same is as given below:

• Payroll costs

The Authority noted that while the actual payroll cost was not higher than that decided in Order 17 of 2016-17, the employee count had decreased from 47 employees (considered in the Order) to 27 employees (actuals). The Authority analyzed that the actual per-employee cost was higher than the cost decided by Authority in First Control Period Order as show in the Table 35 below. On enquiry, CHIAL had responded that cost per employee had increased against the estimates decided in First Control Period Order due to all employees except KMP being deputed by Airport Authority of India (AAI) and the staff deputed by AAI is of middle and senior executive level.

**Table 35: Per Employee cost considered in First Control Period v/s actuals submitted by CHIAL.**

Particulars	Considered by Authority in First Control Period Order					
	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll Related Expenditure (Rs. in lakhs)	486.00	738.00	789.00	845.00	904.00	3762.00
Head Count	47	47	47	47	47	
Cost per Employee (Rs.) (A)	10,34,043	15,70,213	16,78,723	17,97,872	19,23,404	

Particulars	Actuals submitted by CHIAL					
	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll Related Expenditure (Rs. in lakhs)	432.63	521.72	488.71	540.04	553.98	2537.08





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Particulars	Actuals submitted by CHIAL					Total
	FY 17	FY 18	FY 19	FY 20	FY 21	
Head Count	27	27	24	24	25	
Cost per Employee (Rs.) (B)	16,02,333	19,32,296	20,36,292	22,50,167	22,15,920	

Particulars	Variance					Total
	FY 17	FY 18	FY 19	FY 20	FY 21	
Cost per Employee (Rs.) (A-B)	-5,68,291	-3,62,084	-3,57,568	-4,52,294	-2,92,516	

- Common Area Maintenance Charges and Light waterpower charges

The Authority noted that Common Area Maintenance Charges and Light waterpower charges collected from concessionaires were accounted as Non-Aeronautical Revenues amounting to Rs. 177 lakhs, Rs. 240 lakhs and Rs. 176 lakhs for FY 18-19, 19-20 and 20-21 respectively. The same was reduced from Operating expenditure in the years FY 16-17 and FY 17-18. As these were actual cost recoveries, the Authority had proposed to adjust the same from Housekeeping & Cleaning works and Electricity and water charges, respectively as done in FY 16-17 and FY 17-18, instead of treating the same as Non-Aeronautical Revenue.

- Finance Cost

The Authority noted that CHIAL had prepared IND AS Financial Statements from the year ending 31<sup>st</sup> March 2017. Accordingly, certain notional entries were passed relating to Finance cost etc. to ensure IND AS compliance on security deposit and lease. The Authority had proposed to exclude such notional IND AS adjustments from Operating expenditure.

- Bad Debts

The Authority also noted that the provision for Bad Debts of Rs. 21.89 Lakhs had been accounted under Administrative & General Expenditure in the year 2019-20 for amount not being recoverable from Customs and Immigration Department. The Authority had proposed not to consider the same in Operating expenditure in line with its earlier position, which has also been reaffirmed by Hon'ble TDSAT in case of BIAL as detailed below:

*'Allowing bad debts to be recovered as operating expenses is a bad precedent and should not be followed in future because users should not be put to penalty for no fault of theirs.'*

- Corporate Social Responsibility (CSR) Cost

The Authority noted that CSR Cost had not been claimed as part of Aeronautical Expenditure in CHIAL submission (Aero allocation considered as 0%). In Order to maintain consistency in its approach, the Authority had proposed to include CSR cost in proportion of Average Profits before tax of the preceding three years between Aeronautical and Non-Aeronautical services.

2.9.5 Also, the Authority proposed the following allocation of Operating Expenditure into Aeronautical and Non-Aeronautical services as per the basis provided below:



**Table 36: Comparison of Expenses allocation ratios considered by CHIAL and proposed by the Authority**

Particulars	Aeronautical Ratio as per CHIAL	Aeronautical Ratio as per Authority	Basis of Allocation proposed
Payroll Related Expenditure	92.69%	89.00%	1. Cost of employees working in Departments engaged in Aero activities have been taken as Aeronautical cost. 2. Cost of employees working in departments engaged in Non-aero activities have been taken as Non-aeronautical cost. 3. Common employees' cost such as KMP, Finance and IIR are segregated in the ratio of the total cost of Aero: Non-aero employees.
Housekeeping & Cleaning works	100.00%	100.00%	After netting off the recovery from concessionaires, considered as 100%
Facilitation Expenses	90.50%	90.50%	Based on Terminal Ratio
Hire charges Others	92.69%	89.00%	Based on Employee Ratio
Hire charges Inline X-Ray Baggage Manpower	92.69%	100.00%	Considered as 100% aeronautical as the services are related to X-ray Scanning.
Collection charges on PSF	90.50%	90.50%	Based on Terminal Ratio
Corporate Social Responsibility	0.00%	FY20-67% FY 21-60%	Based on Average of PBT for the previous three years (Calculated year wise)
Insurance expenses	90.50%	90.50%	Based on Terminal Ratio
Consumption of Stores & Spares	90.50%	90.50%	Based on Terminal Ratio
Consultancy Charges	90.50%	90.50%	Based on Terminal Ratio
Printing & Stationery, Telephone, travelling, entertainment	90.50%	89.00%	Based on Employee Ratio
Administrative & General Expenditure	90.50%	90.50%	Based on Terminal Ratio
Repairs & Maintenance Expenditure	90.50%	90.50%	Based on Terminal Ratio
Utilities Expenditure	100.00%	100.00%	After netting off the recovery from concessionaires, considered 100%

2.9.6 Considering the changes to Expenses proposed as detailed in Para 2.9.4 and the ratio of allocation as detailed in Table 36 above, the revised Operating Expenses proposed to be considered by the Authority was as below:

**Table 37: Aeronautical operating and maintenance expenses proposed for true up of the First Control Period by the Authority**

Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll Related Expenditure	385.04	464.33	434.95	480.64	493.04	2,258.00
<b>Administrative &amp; General Expenditure</b>						
Housekeeping & Cleaning works	92.73	221.97	259.63	213.64	240.77	1,028.73





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Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Facilitation Expenses	16.67	44.75	65.62	177.35	53.53	357.93
Hire charges Others	61.25	86.38	159.23	98.81	124.38	530.05
Hire charges Inline X-Ray Baggage Manpower	-	-	-	32.91	103.31	136.22
Collection charges on PSF	37.97	51.54	51.75	47.57	18.53	207.36
Corporate Social Responsibility	-	-	-	11.02	39.40	50.43
Insurance Expenses	1.06	2.27	2.52	2.11	2.54	10.50
Consumption of Stores & Spares	52.13	71.50	79.94	65.47	45.16	314.20
Consultancy Charges	34.31	51.08	54.06	54.68	37.82	231.95
Printing & Stationery	8.26	7.81	4.54	10.51	3.81	34.94
Other Administrative & General Expenditure	84.28	71.54	68.11	84.97	35.78	344.68
<b>Total Administrative &amp; General Expenditure</b>	<b>388.65</b>	<b>608.86</b>	<b>745.40</b>	<b>799.04</b>	<b>705.04</b>	<b>3,246.99</b>
<b>Repairs &amp; Maintenance Expenditure</b>	<b>206.22</b>	<b>410.92</b>	<b>536.76</b>	<b>640.09</b>	<b>495.88</b>	<b>2,289.88</b>
<b>Utilities Expenditure</b>	<b>635.08</b>	<b>537.72</b>	<b>544.35</b>	<b>742.49</b>	<b>351.12</b>	<b>2,810.76</b>
<b>Total</b>	<b>1,615.00</b>	<b>2,021.83</b>	<b>2,261.47</b>	<b>2,662.25</b>	<b>2,045.09</b>	<b>10,605.64</b>

2.9.7 The Authority accordingly considered the aeronautical operating and maintenance expenditure as per Table 37 above for the purpose of calculating true up of ARR for First Control Period.

**Stakeholders' comments on Operating Expenses for the First Control Period**

2.9.8 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of Operating Expenses for the First Control Period. The comments by stakeholders are presented below:

**CHIAL's Comments:**

2.9.9 CHIAL requested to consider Allocation for Payroll expense to be based on no. of employees as approved in First Control Period order by the Authority.

**FIA's Comments:**

2.9.10 The Authority was requested to exclude costs pertaining to Corporate Social Responsibility (CSR) from 'Aeronautical Expenditure'. This will be in line with the similar treatment to CSR expenditure, given to CIAL at Cochin International Airport.

Further, the Authority may review the Operating Expenses based on an independent study for allocation of assets and efficient operating expenditure.

**CHIAL's response to Stakeholders' comments on Operating Expenses**

In response to FIA's comments

2.9.11 As per TDSAT Order Dated 16th December 2020 in Appeal No 8 of 2018 BIAL vs AERA, the Appellate Authority had decided to include the Corporate Social Responsibility (CSR) as Aeronautical Expenditure. Therefore, CHIAL requested the Authority to consider the same as Aeronautical expenses.

2.9.12 Further, CHIAL is also open to the proposal of conducting an independent study for allocation of assets and efficient operating expenditure.

**Authority's examination after reviewing stakeholders' comments on Operating Expenses for the First Control Period**





## TRUE UP FOR THE FIRST CONTROL PERIOD

- 2.9.13 The Authority duly considered the comments from Stakeholders and counter comments from CHIAL:  
Response to CHIAL's Comments
- 2.9.14 The Authority notes the request of CHIAL for following the First control period order for allocation of payroll expenses. The Authority is of the view that average salary per employee between various departments is not comparable. Segregation based on the headcount would not take into consideration this factor and the aeronautical ratio could be incorrect if computed based on head count. A more reasonable approach is to use the segregation of payroll related expenses based on department wise actual cost to company. Hence, the Authority decides that Payroll cost will be allocated based on department wise actual cost to CHIAL.  
Response to FIA's Comments
- 2.9.15 The Authority notes that CSR expenditure is mandatory as per latest amendments to the Companies Act.
- 2.9.16 Need for provision of CSR as part of Operating Expenditure has been considered as per the direction of TDSAT's judgment dated December 16, 2020 in the matter of Bangalore International Airport Limited and the same is being followed for all the airports.
- 2.9.17 Accordingly, the same has been followed by the Authority in the matter of tariff determination for CHIAL.
- 2.9.18 The Authority through its independent consultants engaged for tariff determination process, has reviewed the Operating Expenditure allocation applying the same principles as was done in other airports, hence the Authority does not consider it necessary to conduct another independent study.  
**Authority's decisions on Operating Expenses for the First Control Period**
- 2.9.19 The Authority decides to consider aeronautical operating and maintenance expenditure as per Table 37 above for the purpose of calculating true up of ARR for First Control Period.

### 2.10 True up of Non-Aeronautical Revenue

#### **CHIAL's submission on non-aeronautical revenue**

- 2.10.1 CHIAL had computed true up for the First Control Period by treating IND AS adjustments such as Fair Valuation Gain from Security Deposits and reversal of excess liability as non-aeronautical in nature and submitted MYTP with estimated values of FY 20-21 for the First Control Period as below:

**Table 38: CHIAL's submission of non-aeronautical revenue for true up of First Control Period**

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Admission fees/Commercial Passes	26.29	16.55	10.36	4.86	8.18	66.24
Car parking	266.63	451.38	469.09	274.73	159.07	1,620.90
Rent & Services	494.16	768.91	790.31	472.78	464.81	2,990.97
Trading Concession	748.23	1,094.19	1,378.73	2,322.97	905.71	6,449.83
In Flight - Catering Charges	-	-	-	7.45	2.39	9.84
Interest on Term Deposits	233.82	327.28	652.18	894.09	650.00	2,757.37
Fair valuation gain - Security deposits	47.56	68.57	72.55	138.15	-	326.83
Reversal of Excess Liabilities	-	-	-	29.57	-	29.57
Miscellaneous Income	20.87	2.25	17.47	37.20	5.00	82.79
<b>Total non-aeronautical revenue</b>	<b>1,837.56</b>	<b>2,729.13</b>	<b>3,390.69</b>	<b>4,181.80</b>	<b>2,195.17</b>	<b>14,334.35</b>



**Recap of decision taken by the Authority for non-aeronautical revenue at the time of tariff determination for the First Control Period**

- 2.10.2 The Authority vide its decision number 4.b of Order No. 17/2016-17, decided to true up Non-aeronautical revenues based on actual Non-aeronautical revenue.

**Table 39: Non-aeronautical revenue as proposed in the Tariff Order no.17/2016-17 for First Control Period**

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Food & Beverages	103.00	264.00	290.00	319.00	351.00	1,327.00
Retail	29.00	240.00	264.00	290.00	319.00	1,142.00
Advertisements	296.00	326.00	359.00	394.00	434.00	1,809.00
Other Concessions	255.00	460.00	506.00	557.00	613.00	2,391.00
Car Parking	273.00	504.00	554.00	610.00	671.00	2,612.00
Rent & Leases excluding Rental from Fuel Farm	544.00	591.00	650.00	715.00	786.00	3,286.00
Interest on Cash Balance	189.00	139.00	293.00	634.00	1,050.00	2,305.00
<b>Total non-aeronautical revenue for First Control Period</b>	<b>1,689.00</b>	<b>2,524.00</b>	<b>2,916.00</b>	<b>3,519.00</b>	<b>4,224.00</b>	<b>14,872.00</b>

**Authority's examination of the matters regarding True up of Non- Aeronautical Revenue for the First Control Period as part of tariff determination for the current control period at the Consultation stage:**

- 2.10.3 The Authority had sought actual Financial Statements for FY21 which was submitted by CHIAL. The same was considered for true up of non-aeronautical revenue as given below:

**Table 40: CHIAL's submission of total non-aeronautical revenue after considering the actual cost for FY21**

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Admission fees/Commercial Passes	26.29	16.55	10.36	4.86	9.06	67.12
Car parking	266.63	451.38	469.09	274.73	165.02	1,626.85
Rent & Services	494.16	768.91	790.31	472.78	792.54	3,318.70
Trading Concession	748.23	1,094.19	1,378.73	2,322.97	1,337.48	6,881.60
In Flight - Catering Charges	-	-	-	7.45	15.84	23.29
Interest on Term Deposits	233.82	327.28	652.18	894.09	943.91	3,051.28
Fair valuation gain - Security deposits	47.56	68.57	72.55	138.15	-	326.83
Reversal of Excess Liabilities	-	-	-	29.57	-	29.57
Miscellaneous Income	20.87	2.25	17.47	37.20	104.44	182.23
<b>Total non-aeronautical revenue</b>	<b>1,837.56</b>	<b>2,729.13</b>	<b>3,390.69</b>	<b>4,181.80</b>	<b>3,368.29</b>	<b>15,507.47</b>

The Authority's analysis of certain Non-Aeronautical Revenues were as below:

- 2.10.4 Common Area Maintenance Charges and Light water power charges: The Authority noted that Common Area Maintenance Charges and Light water power charges collected from concessionaires were accounted as Non-Aeronautical revenues amounting to Rs. 177 lakhs, Rs. 240 lakhs and Rs. 176 lakhs for FY 18-19, 19-20 and 20-21 respectively. The same were reduced from Operating expenditure in the years FY 16-17





## TRUE UP FOR THE FIRST CONTROL PERIOD

- and FY 17-18. As these are actual cost recoveries, the Authority had proposed to adjust the same from Housekeeping & Cleaning works and Electricity and water charges as proposed in Para 2.9.4.
- 2.10.5 Fair Valuation Gain on Security Deposit: The Authority noted that CHIAL had prepared IND AS Financial Statements from the year ending 31st March 2017. Accordingly, certain notional entries were passed relating to Fair valuation gain from security deposits etc. to ensure IND AS compliance on security deposit and lease. The Authority had proposed to exclude such notional IND AS adjustments from Non-Aeronautical Revenues.
- 2.10.6 Rent from space given to Aeronautical Service Providers such as Ground Handlers, Airlines were accounted as Non-Aeronautical Revenue by CHIAL. The Authority is of the view that the revenues collected from Aeronautical Services providers such as Airlines, Cargo, Ground handlers, fuel supply are to be treated as aeronautical services. Therefore, the Authority proposed to consider the rent received from space given to Ground handlers, Airlines, and other Aeronautical concessionaires as aeronautical revenues (Refer Para 2.3.8).
- 2.10.7 The Authority noted that Reversal of Excess Liabilities amounting to Rs. 29.57 lakhs were considered as Non-Aeronautical revenue. On enquiry, CHIAL explained that this pertains to reversal of cost relating to Arms & Ammunition and clothing and equipment accounted for in previous years. The Authority was of the view that since this relates to Security Expenses, which do not form part of Operating & Maintenance expenses, the same was proposed to be excluded from Non-Aeronautical revenues.
- 2.10.8 The Authority noted that Car Parking charges was significantly lower as compared to projection in Order 17 of 2016-17. On enquiry, CHIAL submitted that the car parking fee for FY17 to FY19 were charged on vehicles coming for arrival and departure of passengers, but from FY20, CHIAL had decided to collect car parking charges only from vehicles entering for arrival and not for departure which in turn resulted in even lower revenue collection from FY20.
- 2.10.9 Based on the above, the non-aeronautical revenue proposed by the Authority was as follows:

**Table 41: Non-aeronautical revenue proposed for true up of the First Control Period by the Authority**

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Admission fees/Commercial Passes	26.29	16.55	10.36	4.86	9.06	67.12
Car parking	266.63	451.38	469.09	274.73	165.02	1,626.85
Rent & Services	494.16	768.91	790.31	472.78	792.54	3,318.70
Less: Rent from GH/Airlines considered Aeronautical	-136.71	-162.21	-222.22	-295.08	-352.35	-1,168.56
Trading concession	748.23	1,094.19	1,378.73	2,322.97	1,337.48	6,881.60
Less: Recovered from Concessionaires adjusted from Operating Expenses	-0.10	-	-176.80	-240.02	-175.27	-592.20
In Flight -Catering Charges	-	-	-	7.45	15.84	23.29
Interest on Term Deposits	233.82	327.28	652.18	894.09	943.91	3,051.28
Fair valuation gain - Security deposits	-	-	-	-	-	-
Reversal of Excess Liabilities	-	-	-	-	-	-
Miscellaneous Income	20.87	2.25	17.47	37.20	104.44	182.23
<b>Total non-aeronautical revenue for First Control Period</b>	<b>1,653.18</b>	<b>2,498.35</b>	<b>2,919.12</b>	<b>3,478.98</b>	<b>2,840.66</b>	<b>13,390.30</b>

### **Stakeholders' comments on Non-Aeronautical Revenue for the First Control Period**

- 2.10.10 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with



respect to determination of Non-Aeronautical Revenue for the First Control Period. The comments by stakeholders are presented below:

FIA's Comments:

- 2.10.11 FIA requests AERA to conduct an independent study on the Non-Aeronautical Revenues, in accordance with the Airports Economic Regulatory Authority of India Act, 2008, as amended (AERA Act).

**CHIAL's response to Stakeholders' comments on Non-Aeronautical Revenue**

- 2.10.12 In response to FIA's comments CHIAL had no comments on the observation. However, CHIAL stated that the decision on the subject under reference is falling under the purview of authority. CHIAL also mentioned "We would like to add that such study may be done for all major airports, civil enclaves, and private airports, for setting up of efficient benchmark for Airport industry as a whole for non aeronautical revenue"

**Authority's examination after reviewing stakeholders' comments on Non-Aeronautical Revenue for the First Control Period**

- 2.10.13 The Authority duly considered the comments from Stakeholders and counter comments from CHIAL.  
2.10.14 The Authority notes that the scope of Non Aeronautical revenue in CHIAL is not significant. However, Authority has carried out a detailed in-house evaluation of the same and accordingly computed appropriate revisions to the estimates submitted by CHIAL in the MYTP submission. The same has also been proposed to be trued up based on actuals in the next control period.

**Authority's decisions on Non-Aeronautical Revenue for the First Control Period**

- 2.10.15 The Authority decides to consider Non-aeronautical revenue as per Table 41 above for the purpose of calculating true up of ARR for First Control Period.

**2.11 True up of Aeronautical Taxation**

**CHIAL's submission for true up of taxation**

- 2.11.1 CHIAL had computed aeronautical taxation for the First Control Period by claiming tax reimbursement based on effective tax rate on Aeronautical Profit considered for true up.  
2.11.2 The tax cost considered for arriving at the effective rate and the estimated tax for First Control Period includes deferred tax cost also. Components of tax cost accounted and claimed by CHIAL are as below. This considered estimated values for FY 2021.

**Table 42: Aeronautical Tax cost claimed by CHIAL for First Control Period**

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
MAT Cost	-	432.02	551.04	795.84	-	1,778.90
MAT Credit	-	-432.02	-551.04	-725.36	-	-1,708.42
Deferred Tax cost	-1,253.51	679.92	746.52	1,227.21	-	1,400.14
Total tax cost in P&L	-1,253.51	679.92	746.52	1,297.69	-	1,470.62
Aeronautical PBT as per CHIAL	-3,106.17	468.19	1,127.57	1,367.35	-2,366.39	-2,509.45
Actual Effective Tax Rate	0%	40%	33%	31%	0%	
<b>Aeronautical Tax cost claimed</b>	-	<b>189.06</b>	<b>374.39</b>	<b>420.75</b>	-	<b>984.20</b>

**Recap of decision taken by the Authority for aeronautical taxation at the time of tariff determination for the First Control Period**





- 2.11.3 The Authority vide para no.9.6 of Order No. 17/2016-17, decided to estimate the tax on Aeronautical Profits and accordingly estimated the tax liability considering prevailing tax rate, Minimum Alternate Tax requirement and the benefit from unabsorbed depreciation and Losses.
- 2.11.4 The Authority vide decision no.5.b of Order No. 17/2016-17, had decided to consider the true up amount basis actual tax paid during the control period.

**Authority's examination of the matters regarding True up of Aeronautical Taxation for the First Control Period as part of tariff determination for the current control period at the Consultation stage:**

- 2.11.5 The Authority had considered the following with respect to aeronautical taxes for the First Control Period:
- Tax on Aeronautical P&L had to be trued up/ updated based on changes made to Aeronautical Income, Operating Expenses, Depreciation etc. as detailed in the Authority's analysis in earlier paragraphs.
  - The Authority noted from audited Financial Statements of CHIAL that CHIAL had paid tax under MAT in FY 18, FY 19 and FY 20.
  - Thus, the Authority had considered tax paid under MAT by CHIAL to be allocated in the reworked ratio of aeronautical PBT and non- aeronautical PBT.
  - The Authority did not propose to consider the Deferred Tax cost included in Tax computations as the same do not reflect tax payments.
- 2.11.6 The aeronautical tax was arrived at by considering the ratio on the aeronautical PBT as can be seen in the table below:

**Table 43: Aeronautical Tax proposed for true up of the First Control Period by the Authority**

Particulars (Rs. in lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Aero Revenue (Table 9)	A	1,591.26	5,710.66	6,968.33	7,803.84	4,815.43	26,889.51
Aero Operating Expense (Table 37)	B	1,615.00	2,021.83	2,261.47	2,662.25	2,045.09	10,605.64
Aero Depreciation (Table 26)	C	2,387.38	2,471.81	2,757.39	2,714.28	2,687.83	13,018.68
Aero PBT	D=A-B-C	-2,411.12	1,217.02	1,949.46	2,427.31	82.51	3,265.19
Total Profit	E	-2,261.58	2,086.39	2,619.27	4,617.00	2,307.12	9,368.20
Aero PBT Ratio	F=D/E	0%	58%	74%	53%	4%	
MAT	G	-	432.02	551.04	795.84	403.05	2,181.95
Aero Tax	H=G*F	-	252.00	410.13	418.40	14.41	1,094.94

**Stakeholders' comments on Aeronautical Tax for the First Control Period**

- 2.11.7 The Authority has not received any comment from stakeholders with respect to True Up of Aeronautical tax for the First Control Period.

**Authority's examination and decisions after reviewing the stakeholders' comments on Aeronautical Tax for the First Control Period**

- 2.11.8 The Authority noted that there were no comments from stakeholders on aeronautical tax for true up of First control Period





TRUE UP FOR THE FIRST CONTROL PERIOD

2.11.9 The Authority, therefore, decides to consider the Aeronautical tax for the First Control Period in line with its proposal in Consultation Paper No.09/2021-22 as presented in Table 43.

**2.12 True Up for the First Control Period**

2.12.1 The Authority had considered the following key changes done while truing up the ARR for First Control Period:

**Table 44: Key changes done while truing up the ARR for First Control Period**

Sl. No.	Change	Para Reference
1	Considered revenues from Rent from space given to concessionaires as aeronautical revenues	2.3.8
2	Allocation of assets done on a line-by-line basis for additions to First Control Period.	2.4.23
3	W.e.f 1.4.2018 higher of useful life as per Order 35 or useful life as per CIHAL taken for re-computation of depreciation.	2.5.6
4	Residual value taken as nil w.e.f 1.4.2018 as per Order 35.	2.5.6
5	Return on land for First Control Period has not been considered for true up	2.7.12
6	Adjusted recovery of Light & water and common area maintenance charges from O&M expenses	2.9.4
7	Aeronautical ratios as proposed by the Authority for O&M expense	2.9.5
8	Not considering revenues from IND AS adjustments and reversal of excess liabilities	2.10.5
9	Considering Aero PBT ratio on MAT actually paid for computing Tax cost	2.11.4

2.12.2 Considering the discussions in the previous paragraph the Authority proposed the following ARR and shortfall estimate for the First Control Period:

**Table 45: ARR considered for the First Control Period by the Authority**

Particulars (Rs. in Lakhs)	Ref	FY17	F718	FY19	FY20	FY21	Total
Average RAB (Table 29)	A	42,750.75	41,263.91	39,508.19	37,506.33	37,413.36	
FRoR	B	14%	14%	14%	14%	14%	
Return on Average RAB	C=A*B	5,985.11	5,776.95	5,531.15	5,250.89	5,237.87	<b>27,781.96</b>
O&M expenses (Table 37)	D	1,615.00	2,021.83	2,261.47	2,662.25	2,045.09	<b>10,605.64</b>
Depreciation (Table 26)	E	2,387.38	2,471.81	2,757.39	2,714.28	2,687.83	<b>13,018.68</b>
Tax expense (Table 43)	F	-	252.00	410.13	418.40	14.41	<b>1,094.94</b>
Less: 30% NAR	G	495.96	749.51	875.74	1,043.69	852.20	<b>4,017.09</b>
ARR	H=Sum(C:F)-G	9,491.53	9,773.08	10,084.40	10,002.12	9,133.00	<b>48,484.13</b>
Actual Aero Revenue (Table 9)	I	1,591.26	5,710.66	6,968.33	7,803.84	4,815.30	<b>26,889.39</b>
Shortfall	J=H-I	7,900.27	4,062.42	3,116.07	2,198.28	4,317.70	<b>21,594.75</b>
Compounding rate	K	14%	14%	14%	14%	14%	-





TRUE UP FOR THE FIRST CONTROL PERIOD

Particulars (Rs. in Lakhs)	Ref	FY17	F718	FY19	FY20	FY21	Total
Compounding Factor	L	1.93	1.69	1.48	1.30	1.14	
Return on Shortfall	M=J*L	15,211.29	6,861.27	4,616.60	2,856.89	4,922.18	<b>34,468.23</b>
<b>Shortfall to be adjusted in the Second Control Period as on 31<sup>st</sup> March 2022</b>	N						<b>34,468.23</b>

**Stakeholders' comments on true up of ARR for the First Control Period**

- 2.12.3 The Authority has not received any comment from stakeholders with respect to True Up of ARR for the First Control Period.

**Authority's examination of True up for the First Control Period as part of the Consultation Paper No.09/2021-22**

- 2.12.4 The Authority notes that there were no comments from stakeholders on true of ARR for the First Control Period.
- 2.12.5 The Authority therefore decides to consider the true up of ARR for the First Control Period consistent with its proposal in Consultation Paper No.09/2021-22 as presented in Table 45.

**2.13 Authority's Decisions on true up of First Control Period**

Based on the material before it and its analysis, the Authority decides:

- 2.13.1 To consider actual traffic for the First Control Period as per Table 5 above for true up.
- 2.13.2 To consider rent from space given to Aeronautical Service Providers as aeronautical in nature and accordingly, consider aeronautical revenue as detailed in Table 9 above for true up of the First Control Period.
- 2.13.3 To consider depreciation on RAB as detailed in Table 26 for true up of the First Control Period.
- 2.13.4 To consider Average RAB as detailed in Table 29 above for true up of the First Control Period.
- 2.13.5 To consider FRoR as per para no. 2.8.5 for true up of the First Control Period.
- 2.13.6 To consider operating expenses as per Table 37 for the First Control Period.
- 2.13.7 To consider Non-Aeronautical revenue as per Table 41 for true up of the First Control Period.
- 2.13.8 To consider tax re-imburement for true up of the First Control Period as per Table 43.
- 2.13.9 To consider shortfall as per above Table 45 for the First Control Period which is to be adjusted in the Second Control Period.





**CHAPTER 3. TRAFFIC FOR SECOND CONTROL PERIOD****3.1 CHIAL's submissions relating to traffic**

- 3.1.1 Traffic forecast for ATM, Passenger and freight traffic for Second Control Period along with the year-on-year growth rate and CAGR for 5 years as submitted by CHIAL is as given below:

**Table 46: CHIAL's submission of ATM, Passenger and Freight traffic in Second Control Period**

Air Traffic Movements (in '000)	FY22	FY23	FY24	FY25	FY26	CAGR FY22-FY26
Domestic Air Traffic Movements	15.77	17.35	19.09	20.42	21.85	8.49%
y-o-y growth		10%	10%	7%	7%	
International Air Traffic Movements	0.72	0.79	0.87	0.93	0.99	8.48%
y-o-y growth		10%	10%	7%	7%	
<b>Overall Air Traffic Movements</b>	<b>16.49</b>	<b>18.14</b>	<b>19.95</b>	<b>21.35</b>	<b>22.84</b>	<b>8.49%</b>
y-o-y growth		10%	10%	7%	7%	

Passenger Traffic in Lakhs	FY22	FY23	FY24	FY25	FY26	CAGR FY22- FY26
Domestic passenger traffic	19.62	23.21	25.77	28.09	30.61	11.77%
y-o-y growth		18%	11%	9%	9%	
International passenger traffic	1.03	1.21	1.35	1.47	1.60	11.77%
y-o-y growth		18%	11%	9%	9%	
<b>Overall passenger traffic</b>	<b>20.64</b>	<b>24.43</b>	<b>27.11</b>	<b>29.55</b>	<b>32.21</b>	<b>11.77%</b>
y-o-y growth		18%	11%	9%	9%	

Cargo Traffic in MT	FY22	FY23	FY24	FY25	FY26	CAGR FY22- FY26
Overall domestic cargo	9,831.80	10,814.98	11,896.48	13,086.13	14,394.74	10.00%
y-o-y growth		10%	10%	10%	10%	
Overall international cargo	535.95	786.06	864.67	925.19	989.96	16.58%
y-o-y growth		47%	10%	7%	7%	
<b>Overall Cargo</b>	<b>10,367.75</b>	<b>11,601.04</b>	<b>12,761.14</b>	<b>14,011.32</b>	<b>15,384.69</b>	<b>10.37%</b>
y-o-y growth		12%	10%	10%	10%	

- 3.1.2 CHIAL considered impact of COVID-19 and projected to return to 90% of FY 20 levels in FY 22 and to return to FY 20 Pre-Covid level by FY 23.

**3.2 Authority's analysis relating to traffic for Second Control Period at the Consultation stage**

- 3.2.1 In light of COVID-19 pandemic, GoI restriction on domestic and international flights and other prevailing situations, the Authority evaluated the traffic levels for the Second Control Period. This was done after considering the ongoing COVID-19 pandemic second wave and the prevailing Aviation Traffic scenarios. After due consideration of the prevalent condition and review of forecasts made by many bodies, the Authority proposed the following traffic levels for the Second Control Period.





**Table 47: Basis of Traffic estimate under COVID-19 scenario as proposed by the Authority**

% of traffic with reference to traffic of Pre Covid level-FY20					
Particulars	FY22	FY23	FY24	FY25	FY26
Domestic	70%	100%	108%	118%	124%
International	50%	75%	100%	108%	116%

3.2.2 The Authority noted that Cargo estimates were made by CHIAL considering the prevailing COVID scenario. The same was proposed to be considered by the Authority.

3.2.3 Based on the above estimate, the revised traffic as proposed by the Authority was as given below:

**Table 48: Traffic forecast proposed for the Second Control period by the Authority**

Domestic Pax (Pax in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Pax submitted by CHIAL	19.62	23.21	25.77	28.09	30.61	127.30
Pax Proposed by Authority	16.27	23.24	25.10	27.42	28.81	120.83
% change w.r.t CHIAL submission	-17%	0%	-3%	-2%	-6%	-5%
% w.r.t FY 2020	70%	100%	108%	118%	124%	

International Pax (Pax in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Pax submitted by CHIAL	1.03	1.21	1.35	1.47	1.60	6.66
Pax Proposed by Authority	0.61	0.91	1.21	1.31	1.41	5.46
% change w.r.t CHIAL submission	-41%	-25%	-10%	-11%	-12%	-18%
% w.r.t FY 2020	50%	75%	100%	108%	116%	

Domestic ATM ('in 000)	FY22	FY23	FY24	FY25	FY26	Total
ATM submitted by CHIAL	15.77	17.35	19.09	20.42	21.85	94.49
ATM Proposed by Authority	12.27	17.53	18.93	20.68	21.73	91.14
% change w.r.t CHIAL submission	-22%	1%	-1%	1%	-1%	-4%
% w.r.t FY 2020	70%	100%	108%	118%	124%	

International ATM ('in 000)	FY22	FY23	FY24	FY25	FY26	Total
ATM submitted by CHIAL	0.72	0.79	0.87	0.93	0.99	4.28
ATM Proposed by Authority	0.40	0.60	0.79	0.86	0.92	3.57
% change w.r.t CHIAL submission	-44%	-24%	-8%	-7%	-7%	-17%
% w.r.t FY 2020	50%	75%	100%	108%	116%	

Domestic Cargo (in MT)	FY22	FY23	FY24	FY25	FY26	Total
Cargo submitted by CHIAL	9,832	10,815	11,896	13,086	14,395	60,024
Cargo Proposed by Authority	9,832	10,815	11,896	13,086	14,395	60,024
% w.r.t FY 2020	110%	121%	133%	146%	161%	

International Cargo (in MT)	FY22	FY23	FY24	FY25	FY26	Total
Cargo submitted by CHIAL	536	786	865	925	990	4,102
Cargo Proposed by Authority	536	786	865	925	990	4,102
% w.r.t FY 2022		147%	161%	173%	185%	

### 3.3 Stakeholders' comments on Traffic for Second Control Period

3.3.1 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in Consultation Paper No.09/2021-22 with respect



to determination of Traffic for the Second Control Period. The comments by stakeholders are presented below:

FIA's Comments:

- 3.3.2 FIA appreciates that the Authority considered industry inputs/reports on traffic from agencies like IATA and ICAO. FIA requests the Authority to conduct an independent study for traffic assessment, in accordance with the AERA Act.

**3.4 CHIAL's response to Stakeholders' comments on Traffic for Second Control Period**

- 3.4.1 CHIAL has no comments on the observation raised by FIA.

**3.5 Authority's examination after reviewing stakeholders' comments on Traffic for Second Control Period**

- 3.5.1 With respect to FIA's comments, the Authority notes that considering ongoing COVID-19 pandemic, the Authority has reviewed various studies conducted by IATA, CAPA etc. and held discussions with various stakeholders. This has been used as the basis for traffic projections for Second Control Period of CHIAL.
- 3.5.2 The Authority notes that the Traffic estimates will also be true up in the next control period. At present, the traffic situation is very dynamic and there is no scientific model available for traffic projections to cater to such pandemic situations.

**3.6 Authority's decisions on Traffic for Second Control Period**

Based on the material before it and its analysis, the Authority decides:

- 3.6.1 To consider traffic as set out in Table 48 for Second Control Period considering the effect of COVID 19 Pandemic.
- 3.6.2 To true up the traffic based on actual numbers for the Second Control Period at the time of determination of tariff for the next control period.





## CHAPTER 4. REGULATORY ASSET BASE & DEPRECIATION FOR SECOND CONTROL PERIOD

### 4.1 Background

4.1.1 CHIAL had proposed addition to gross block of assets to the tune of Rs. 36,618 Lakhs for the Second Control Period as a part of its submissions. The Authority has organized the discussions in the chapter in the following Order:

- Capital expenditure proposed for Second Control Period (Para 4.2 below)
- Means of Financing (Para 4.4 below)
- Depreciation (Para 4.5 below)
- Regulatory Asset Base (Para 4.7 below)

### 4.2 Capital expenditure proposed for Second Control Period

#### CHIAL's submissions relating to capital expenditure for the Second Control Period

4.2.1 CHIAL had submitted the following with respect to capital expenditure proposed for the Second Control Period:

**Table 49: CHIAL's submission of additions project wise sorted by value for the Second Control Period**

Capital Expenditure in Second Control Period (Rs in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Extension of Building Corridor International Side	A	-	-	-	2,800	4,200	7,000
Extension of Corridor with 04 Nos. of Aerobridge Phase -1	B	-	-	2,400	3,600	-	6,000
Development of PTT phase 2 towards J Link	C	-	1,000	3,000	-	-	4,000
IT Infrastructure along with security equipment	D	-	-	1,400	2,600	-	4,000
05 Nos of additional parking bays (Extension of Apron Domestic Side)	E	-	-	-	-	2,500	2,500
Overall development of integrated Cargo Building	F	-	-	-	-	2,500	2,500
Extension of Apron for 05 Nos. of parking bay	G	-	2,000	-	-	-	2,000
Integrated Operational Offices	H	-	-	-	2,000	-	2,000
Construction of Southern Taxi link Towards runway 29 and H taxi Link	I	1,900	-	-	-	-	1,900
Hanger Work for 02 Nos. of code C Aircraft	J	200	1,000	-	-	-	1,200
(Phase -II) CAT-III B Lighting System	K	700	-	-	-	-	700
BDDS Equipment & Threat containment vessel (TCV) for In-line system	L	605	-	-	-	-	605



**REGULATORY ASSET BASE & DEPRECIATION FOR SECOND CONTROL PERIOD**

<b>Capital Expenditure in Second Control Period (Rs in lakhs)</b>	<b>Ref</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>Total</b>
Extension of corridor of departure & arrival of New Terminal building for four nos. parking bays (E-Code) towards new apron extension side including electrical works	M	510					510
SITC of new HD cameras SCCTV system at CHIAL	N	290					290
Provision of 10 Nos. AVDGS System for existing and new Apron Area bays with centralized control	O	220					220
Provision of GPU/PCA for existing PBB's	P	200					200
Provision of Baggage drop system.	Q	200					200
Provision of ticketing counter	R	110					110
Hydraulic Tyre Killers/Bollards/ Road Blockers	S	110					110
Automatic Tray Retrieval System	T	100					100
CUSS/KIOSK	U	90					90
Canopy at Entry Point along with shed for parking QRT Vehicles of Punjab Police, canopy at basement and at vehicle gate	V	70					70
IT Network (Hardware/Software) setup at CHIAL	W	70					70
Furniture & fixtures for PAX Facilities	X	50					50
Energy efficiency scheme.	Y	40					40
Provision of view cutter at flyover to restrict the view of IAF area from public.	Z	40					40
Computers and Peripherals/ Accessories, Software, etc	AA	40					40
E-Gate for Immigration (Automatic Access Control System (AACS))	AB	30					30
Provision of High Mast and Associated works for opposite side of Apron	AC	25					25
Provision of Tactile flooring	AD	18					18
<b>Total Capital Expenditure</b>		<b>5,618</b>	<b>4,000</b>	<b>6,800</b>	<b>11,000</b>	<b>9,200</b>	<b>36,618</b>

**4.2.2 On the above additions, CHIAL submitted justification for the following projects:**

**4.2.2.1 Extension of Building Corridor International Side (Ref A in Table 49 above)**

By 2025 the present terminal building capacity may be saturated, and the augmentation shall be required. Hence, extension of corridor adjoining existing terminal building will be required for the passenger movement and passenger facilitation. This extension of corridor will connect parking bays directly to the terminal building towards International side and enhance terminal building capacity. It will also help Passengers to avoid exposure to extreme weather conditions. Further, it will help in avoiding the inconvenience to passengers while shifting from aircraft to buses and vice versa and reduce the turnaround time for the airlines.



**4.2.2.2 Extension of Corridor with 04 Nos. of Aerobridge Phase -1 - Domestic Side (Ref B in Table 49)**

By 2024 the present terminal building capacity may begin to saturate and the augmentation will be required. Hence extension of corridor adjoining existing terminal building new set up along with aerobridges will be required for the passenger movement and passenger facilitation. It will help Passengers to avoid exposure to extreme weather conditions. It will also help in avoiding the inconvenience to Passengers while shifting from aircraft to buses and vice versa. Further, it will reduce the turnaround time for the airlines.

**4.2.2.3 Development of PTT phase 2 towards J Link (Ref C in Table 49 above)**

To reduce runway/taxiway occupancy time, it is proposed to construct parallel taxi track towards runway 11 side near J Taxi Link. Being a civil enclave, IAF shows a concern to look into the minimization of runway occupancy time by the commercial flights and construction/development of Parallel taxi track Phase II will help to reduce the runway occupancy time of aircraft. This Operational infrastructure facility will provide optimization of available runway/ taxiway/apron. It will reduce the turnaround period with lesser fuel consumption and lesser waiting time for landing and take-off resulting in cost effective airport. This may increase connectivity to the airport and ultimately end users will be benefitted through reduction in cost and time.

**4.2.2.4 IT Infrastructure along with security equipment (Ref D in Table 49 above)**

To cater the enhanced terminal building capacity with more number of CCTV, FIDS, PA system along with related security & IT Equipment i.e. HHMD, DFMD, ETD, X ray Machine. By creation of better IT Infrastructure and more updated security Equipment, it will help in anticipation and identification of the security threats to the airport and low risk for the passenger.

**4.2.2.5 05 Nos of additional parking bays (Extension of Apron Domestic Side) (Ref E in Table 49 above)**

There will be further need of night parking at this Airport catering to Chandigarh part of Punjab, part of Haryana/part of Himachal Pradesh. With the increase in traffic, it is expected that the present capacity of apron will be saturated by 2024 hence need for the extension of apron area.

**4.2.2.6 Extension of Apron for 05 Nos. of parking bay (International Side) (Ref G in Table 49 above)**

There will be further need of night parking at this Airport catering to Chandigarh part of Punjab, part of Haryana/part of Himachal Pradesh. With the increase in traffic, it is expected that the present capacity of apron will be saturated by 2024. Hence, need for the extension of apron area.

**4.2.2.7 Integrated Operational Offices (Ref H in Table 49 above)**

At present there is no dedicated office complex. The operational offices of stakeholders are accommodated in the building itself. With growth in traffic, building space will be needed for operational purpose/passenger facilitation, therefore, a new operational office is planned to be setup with more capacity. More space will be available for passenger facilitation in building. After shifting of administrative offices, available space at terminal building will be allocated for more aeronautical/operational requirements.

**4.2.2.8 Hangar Work for 02 Nos. of code C Aircraft (Ref J in Table 49 above)**

At present hangars are not available at Chandigarh International Airport. For optimum utilization of infrastructure, there is need of construction of 4-5 hangars. Initially CHIAL is planning for construction of 2 Hangers in Phase-I to accommodate parking of aircrafts as well as focusing on invitation of MRO business at Chandigarh International Airport. Airlines will not need to move to other airports for minor repair and maintenance and manage to save costs.





**REGULATORY ASSET BASE & DEPRECIATION FOR SECOND CONTROL PERIOD**

4.2.3 Proposed addition to Assets categorized into different blocks are as given below.

**Table 50: CHIAL's submission of asset head wise additions to gross block for the Second Control Period**

Asset head for Additions in Second Control Period (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Building Terminal/Other Buildings	948	1,000	2,400	8,400	6,700	19,448
Apron	1,900	3,000	3,000	-	2,500	10,400
Computers & I.T Hardware & Access	1,335	-	1,400	2,600	-	5,335
Furniture & Fixtures	50	-	-	-	-	50
Electrical Installations	1,385	-	-	-	-	1,385
<b>Total additions to Gross Block during the year</b>	<b>5,618</b>	<b>4,000</b>	<b>6,800</b>	<b>11,000</b>	<b>9,200</b>	<b>36,618</b>

4.2.4 CHIAL submitted the following allocation ratios for classification of assets into aeronautical and non-aeronautical assets. This ratio was arrived based on weighted average aeronautical percentage of assets within a given asset category:

**Table 51: CHIAL's submission of allocation ratios for classification of assets into aeronautical and non-aeronautical for Second Control Period**

Particulars	FY22 – FY26
Building Terminal/Other Buildings	90.50%
Buildings Temporary	100.00%
Roads, Bridges & Culverts- Carpeted	100.00%
Apron	100.00%
Roads, Bridges & Culverts- Non-Carpeted-CISF Security	100.00%
Computers & I.T Hardware & Access	98.05%
Computers & I.T -Servers	100.00%
Plant & Machinery-Equipment	96.60%
Tools & Equipment	99.72%
Furniture & Fixtures	92.50%
Electrical Installations	94.32%
Motor Vehicle-Security	100.00%
Cars & Jeeps-Security	100.00%
Office Equipment	93.73%

4.2.5 Based on the estimated addition to Fixed Assets during the Second Control Period and the allocation ratios as detailed in Para 4.2.4 above, CHIAL submitted the following as addition to Aeronautical RAB during the Second Control Period:

**Table 52: CHIAL's submission of aeronautical assets to be added as part of RAB for Second Control Period**

Additions to RAB (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Building Terminal/Other Buildings	858	905	2,172	7,602	6,064	17,600
Apron	1,900	3,000	3,000	-	2,500	10,400
Computers & I.T Hardware & Access	1,309	-	1,373	2,549	-	5,231
Furniture & Fixtures	46	-	-	-	-	46
Electrical Installations	1,306	-	-	-	-	1,306
<b>TOTAL</b>	<b>5,419</b>	<b>3,905</b>	<b>6,545</b>	<b>10,151</b>	<b>8,564</b>	<b>34,584</b>





### 4.3 Authority's analysis relating to capital expenditure for Second Control Period at the Consultation stage

- 4.3.1 While analyzing the Multi Year Tariff Proposal regarding Capital Expenditure for Second Control Period, AERA had taken into consideration the reduced traffic due to COVID-19 pandemic and had appropriately rationalized the proposed Capex as given in the following paragraphs.
- 4.3.2 The Authority noted that CHIAL currently has a design capacity of 4.5 million passengers and the same is not fully put to use. Traffic estimates for the second control period also do not indicate the forecasted traffic estimates reaching the design capacity. The Capital Expenditure proposed by CHIAL was evaluated in this background.
- 4.3.3 The Authority analyzed various projects submitted by CHIAL. The Authority had also carried out discussions with CHIAL seeking further details/ clarifications on various projects. Based on the analysis, the Authority did not propose to consider the following as additions to RAB, as per the analysis detailed herein.

- A. **Extension of Corridor Building International Side – Rs. 7,000 Lakhs (Ref A in Table 49 above)**  
As per data shared by CHIAL, at present, only one international flight with A320 type of aircraft operates two times a week. Even past trend of international traffic and traffic projections shared by CHIAL do not indicate significant growth in future that would necessitate expansion of capacity of the international building, on the corridor side within next three years. Since the need is not clearly demonstrated, this was not proposed to be considered as addition to RAB in the Second Control Period.
- B. **Extension of Corridor with 04 Nos. of Aerobridge Phase -1 – Rs. 6,000 Lakhs (Ref B in Table 49 above)**  
As per data shared by CHIAL, there are 41 flight departures per day at CHIAL, out of which 8 Departures require night parking of aircraft. CHIAL has 5 aerobridges. Thus, in the morning (peak), 5 departures take place from aerobridges and three from remote Code C stands. Similarly, during day, for just an hour, CHIAL has 6 departures, out of which 5 take place from aerobridges and one from remote. Thus, out of a total of 41 departures, 37 (41-3-1=37) departures i.e. 90% flight operations take place from Aerobridges. Thus, there appears to be no justification for extending corridor in the domestic and/or international side to provide for additional aerobridges currently and hence this was not proposed to be considered as addition to RAB in the Second Control Period.
- C. **Development of PTT phase 2 towards J Link -Rs. 4,000 Lakhs (Ref C in Table 49 above)**  
While the Authority noted the need for this project, the Authority noted that this Project requires land acquisition of about 11 acres. Even though this project is scheduled for commencement in the FY 23, during discussion with CHIAL it was noted that no steps towards acquisition of land has been initiated yet. Hence it is proposed not to consider this project for additions to Second Control Period. Based on actual incurrence and capitalization, the same would be tried up after due evaluation in the next control period.
- D. **05 Nos of additional parking bays (Extension of Apron Domestic Side) – Rs. 2,500 Lakhs (Ref E in Table 49 above)**  
The demand for 5 stands is projected for the year 2026, i.e. last year of control period. The need has to be also evaluated considering developments at other airports in the vicinity. In view of the same, need for 5 additional parking bays is not justified currently. As this is planned in the last year of the control period, the Authority proposed to consider only 2 parking bays at a proportionate cost of Rs. 1000 Lakhs.





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- E. Overall development of integrated Cargo Building- Rs.2,500 Lakhs (Ref F in Table 49 above)**  
No justifications was submitted by CHIAL for the same. CHIAL may consider this building based on traffic and if spent, the same will be considered as part of true up in the next control period, after due evaluation.
- F. Extension of Apron for 05 Nos. of parking bay – Rs. 2,000 Lakhs (Ref G in Table 49 above)**  
As per CHIAL, it has 22 code C and 1 Code E type of parking stands. The peak hour demand for night parking is 8 Code C stands, and during day is 6 stands for only one hour between 1300 to 1400 hrs. At present CHIAL has only one A320 international flight that operates only twice a week between 1400 to 1600 hrs. Thus, peak demand during day remains at 6. CHIAL does not have Code E aircraft operations for which it has 1 Code E stand.  
  
Thus, CHIAL has  $22-8=14$  code C spare stands. CHIAL had projected demand for 4 Stands for use by dedicated cargo flights, presumably, to coincide with the peak hour demand of passenger flights. This currently is not being put to use, as not even one dedicated cargo flight operates at CHIAL. Considering additional two non-schedule flights during peak hours of scheduled operation, Maximum peak demand for stands comes to  $8+2=10$  against 22 stands available. Thus, there appears to be no justification by CHIAL for any additional Code C or Code E parking stands currently and hence this was not proposed to be considered as addition to RAB in the Second Control Period.
- G. Integrated Operational Offices – Rs. 2,000 Lakhs (Ref H in Table 49 above)**  
The Authority notes the need for the integrated office space which is currently proposed by CHIAL to be incurred in FY 2025-26. However, this needs to be re-evaluated considering the current scenario, changes in traffic etc. Hence this is not proposed to be considered for the purpose of additions in Second Control Period and maybe considered for true up based on actuals at the end of second control period. CHIAL may evaluate the need and carry out the same after due process of diligence, tendering etc.
- H. Hangar Work for 02 Nos. of code C Aircraft – Rs. 1,200 Lakhs (Ref J in Table 49 above)**  
As per CHIAL, at present there is no demand for the Hangars from any airline. Hence this is not proposed for addition currently. However, should the need arise, CHIAL may incur this after following due process of evaluation and bidding and this will be true up in the next control period.
- I. Extension of corridor of departure and arrival of New Terminal building for four nos. parking bays (E-Code) towards new apron extension side including electrical works- Rs. 510 Lakhs (Ref M in Table 49 above)**  
As per data shared by CHIAL, at present only one international flight with A320 type of aircraft operates two flights/week. The past trend of international traffic and future traffic demand projections do not justify such significant growth in future that would necessitate need for additional capacity by extending corridor. Hence this was not proposed to be considered as part of additions.
- J. (Phase-II) CAT-III B Lighting System (Ref K in Table 49 above)** – CHIAL had submitted that it was proposing to install CAT III lighting. However, on reviewing documentation available, the Authority was given to understand that this was actually CAT I Approach Lighting at Runway 11, along with Threshold and Touchdown Zone lights. Hence, the Authority's revised detailing below will denote the same as CAT I lighting. On pursuing the work Order for the same, the amount considered by the Authority is Rs. 550 Lakhs against Rs. 700 lakhs as submitted by CHIAL.



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4.3.4 Based on the above analysis, and the reasoning provided by CHIAL, the Authority proposed to consider the other items as follows as estimated capital expenditure for the Second Control Period.

**Table 53: Additions to Assets proposed for the Second Control Period by the Authority**

<b>Project (Rs. in Lakhs)</b>	<b>Project Ref</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>TOTAL</b>
IT Infrastructure along with security equipment	D	-	-	1,400	2,600	-	<b>4,000</b>
02 Nos of additional parking bays (Extension of Apron Domestic Side)	E (modified)*	-	-	-	-	1,000	<b>1,000</b>
Construction of Southern Taxi link Towards runway 29 and H taxi Link	I	1,900					<b>1,900</b>
CAT-I Lighting System at Runway -11	K (Modified)*	550					<b>550</b>
BDDS Equipment & Threat containment vassal (TCV) for In-line system	L	605					<b>605</b>
SITC of new HD cameras SCCTV system at CHIAL	N	290					<b>290</b>
Provision of 10 Nos. AVDGS System for existing and new Apron Area bays with centralized control	O	220					<b>220</b>
Provision of GPU/PCA for existing PBB's	P	200					<b>200</b>
Provision of Baggage drop system.	Q	200					<b>200</b>
Provision of ticketing counter	R	110					<b>110</b>
Hydraulic Tyre Killers/Bollards/ Road Blockers	S	110					<b>110</b>
Automatic Tray Retrieval System	T	100					<b>100</b>
CUSS/KIOSK	U	90					<b>90</b>
Canopy at Entry Point along with shed for parking QRT Vehicles of Punjab Police, canopy at basement and at vehicle gate	V	70					<b>70</b>
IT Network (Hardware/Software) setup at CHIAL	W	70					<b>70</b>
Furniture & fixtures for PAX Facilities	X	50					<b>50</b>
Energy efficiency scheme.	Y	40					<b>40</b>
Provision of view cutter at flyover to restrict the view of IAF area from public.	Z	40					<b>40</b>
Computers and Peripherals/ Accessories, Software, etc	AA	40					<b>40</b>
E-Gate for Immigration (Automatic Access Control System(AACS))	AB	30					<b>30</b>
Provision of High Mast and Associated works for opposite side of Apron	AC	25					<b>25</b>
Provision of Tactile flooring	AD	18					<b>18</b>
<b>TOTAL</b>		<b>4,758</b>	<b>-</b>	<b>1,400</b>	<b>2,600</b>	<b>1,000</b>	<b>9,758</b>



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4.3.5 The Authority noted that CHIAL had submitted cost break-up of only these assets of value of Rs. 1,550 Lakhs (Pertaining to project ref E & K in Table 53). The Authority also noted that CHIAL should follow due processes relating to stakeholder consultation, diligent vendor selection process and compliance to normative cost order (where applicable) and governance over the Capital expenditure at the time of incurring Capital Expenditure. The same will be reviewed by authority in the next control period.

4.3.6 Aeronautical RAB ratio and resultant addition proposed to be considered for the Second Control Period by the Authority was as given below.

**Table 54: Allocation ratio for assets to be considered as part of addition to Aeronautical RAB as proposed for the Second Control Period by the Authority**

Particulars	Cost in Rs. Lakhs	Project Ref	% Allocation	FY22	FY23	FY24	FY25	FY26	Total
IT Infrastructure along with security equipment	4,000	D	100.00%			1,400	2,600		4,000
02 Nos of additional parking bays (Extension of Apron Domestic Side)	1,000	E	100.00%					1,000	1,000
Construction of Southern Taxi link Towards runway 29 and II taxi Link	1,900	I	100.00%	1,900					1,900
CAT-I Lighting System at Runway -II	550	K	100.00%	550					550
BDDS Equipment & Threat containment vessel (TCV) for In-line system	605	L	100.00%	605					605
SITC of new HD cameras SCCTV system at CHIAL	290	N	100.00%	290					290
Provision of 10 Nos. AVDGS System for existing and new Apron Area bays with centralized control	220	O	100.00%	220					220
Provision of GPU/PCA for existing PBB's	200	P	100.00%	200					200
Provision of Baggage drop system.	200	Q	100.00%	200					200
Provision of ticketing counter	110	R	100.00%	110					110
Hydraulic Tyre Killers/Bollards/ Road Blockers	110	S	100.00%	110					110
Automatic Tray Retrieval System	100	T	100.00%	100					100
CUSS/KIOSK	90	U	100.00%	90					90
Canopy at Entry Point along with shed for parking QRT Vehicles of Punjab Police, canopy at	70	V	100.00%	70					70



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Particulars	Cost in Rs. Lakhs	Project Ref	% Allocation	FY22	FY23	FY24	FY25	FY26	Total
basement and at vehicle gate									
IT Network (Hardware/Software) setup at CHIAL	70	W	90.50%	63					63
Furniture & fixtures for PAX Facilities	50	X	100.00%	50					50
Energy efficiency scheme.	40	Y	90.50%	36					36
Provision of view cutter at flyover to restrict the view of IAF area from public.	40	Z	100.00%	40					40
Computers and Peripherals/ Accessories, Software, etc	40	AA	90.50%	36					36
E-Gate for Immigration (Automatic Access Control System(AACS))	30	AB	100.00%	30					30
Provision of High Mast and Associated works for opposite side of Apron	25	AC	100.00%	25					25
Provision of Tactile flooring	18	AD	90.50%	16					16
<b>Total</b>	<b>9,758</b>			<b>4,742</b>	<b>-</b>	<b>1,400</b>	<b>2,600</b>	<b>1,000</b>	<b>9,742</b>

**Table 55: Asset head wise additions to aeronautical RAB for Second Control Period**

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Apron	1,900.00	-	-	-	1,000.00	2,900.00
Buildings Temporary	-	-	-	-	-	-
Building Terminal	236.29	-	-	-	-	236.29
Cars & Jeeps-Security	-	-	-	-	-	-
Computers & I.T -Servers	-	-	-	-	-	-
Computers & I.T Hardware & Access	1,324.55	-	1,400.00	2,600.00	-	5,324.55
Electrical Installations	1,231.20	-	-	-	-	1,231.20
Furniture & Fixtures	50.00	-	-	-	-	50.00
Intangible Asset	-	-	-	-	-	-
Machinery & Equipment	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-
Roads, Bridges & Culverts	-	-	-	-	-	-
Tools & Equipment	-	-	-	-	-	-
Vehicle Security	-	-	-	-	-	-
X ray baggage system	-	-	-	-	-	-
<b>TOTAL</b>	<b>4,742.04</b>	<b>-</b>	<b>1,400.00</b>	<b>2,600.00</b>	<b>1,000.00</b>	<b>9,742.04</b>





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4.3.7 The Authority proposed to readjust the project cost by 1% along with applicable carrying cost in the ARR/Target Revenue at the time of determination of tariff for the Third Control Period in case of non-completion of the project as per proposed timelines.

### 4.4 Means of Finance

4.4.1 The Authority noted that CHIAL had considered internal accruals as the means of finance for funding the entire estimated Project Cost as proposed by CHIAL. Considering this, the Authority noted that CHIAL would be able to finance the reduced spends proposed by the Authority from the internal accruals fully.

### 4.5 Depreciation

#### CHIAL's submissions relating to aeronautical depreciation

4.5.1 CHIAL had submitted the following depreciation on additions to RAB during the Second Control Period. Depreciation was arrived at by considering 50% depreciation for first year of capitalization and 10% salvage value at the end of life of asset.

**Table 56: CHIAL's submission of depreciation on additions to aeronautical RAB asset category wise**

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Building Terminal/Other Buildings	11.58	35.38	76.92	208.87	393.35	726.11
Apron	25.65	91.80	172.80	213.30	247.05	750.60
Computers & I.T Hardware & Access	0.00	176.71	269.36	534.09	706.16	1686.31
Furniture & Fixtures	1.87	3.75	3.75	3.75	3.75	16.86
Electrical Installations	52.91	105.81	105.81	105.81	105.81	476.16
<b>Total depreciation on additions to RAB</b>	<b>92.01</b>	<b>413.45</b>	<b>628.64</b>	<b>1065.82</b>	<b>1456.12</b>	<b>3656.04</b>

### 4.6 Authority's analysis relating to depreciation for the Second Control Period at the Consultation stage

4.6.1 The Authority had analyzed CHIAL's submission on depreciation and noted the following:

- Depreciation had been computed by CHIAL on rates based on First Control Period Order approved by the Authority.
- Depreciation on additions was computed at 50% in the year of addition.
- Residual value was incorrectly reduced twice from value of asset to arrive at depreciation in an apparent error in formulae.
- Depreciation was estimated at a block level without estimating projected depreciation for individual line items of asset. Hence, due to the way the formula is configured in the calculations, even though there were additions in a year, the depreciation was not being estimated correctly. This had, for example, understated the depreciation on additions to Computer & IT Hardware in FY22 by Rs. 88 Lakhs.

4.6.2 The Authority proposed to compute depreciation estimate as follows after correcting the apparent errors in the computations submitted by CHIAL:

- Useful lives considered as per the Authority's analysis detailed in Para 2.5.6 and Table 25.
- Consider depreciation on additions made during the year at 50% of the total depreciation.





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- Consider asset classification of addition as provided by CHIAL. For example, while both categories of assets viz Computer and I.T Hardware & Access and Computer & I.T have been depreciated at 15% (6 years useful life) in the MYTP submission of CHIAL, the detailed segregation into individual asset subcategories was not available. The Authority had considered 6 years as the useful life for the same.
- Consider asset allocation ratios as used by the Authority for estimating Aeronautical portion of Depreciation.

**Table 57: Depreciation re-computed by the Authority on additions to RAB in Second Control Period**

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Building Terminal	3.97	7.88	7.88	7.88	7.88	35.48
Apron	31.93	63.33	63.33	63.33	80.14	302.06
Computers & I.T Hardware & Access	111.29	220.76	338.38	672.54	887.43	2,230.39
Furniture & Fixtures	2.52	5.00	5.00	5.00	5.00	22.52
Electrical Installations	62.07	123.12	123.12	123.12	123.12	554.55
<b>TOTAL</b>	<b>211.77</b>	<b>420.09</b>	<b>537.71</b>	<b>871.87</b>	<b>1,103.56</b>	<b>3,145.00</b>

4.6.3 CHIAL had submitted the total Depreciation estimate during Second Control Period as below.

**Table 58: CHIAL's submission of total aeronautical depreciation for Second Control Period (including addition in Second Control Period)**

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Apron	192.21	258.36	339.36	379.86	413.61	1,583.42
Buildings Temporary	7.12	0.00	0.00	0.00	0.00	7.12
Building Terminal	729.72	753.52	795.06	927.01	1,111.50	4,316.81
Cars & Jeeps-Security	1.37	1.37	1.37	1.37	1.37	6.87
Computers & I.T -Servers	14.72	-	-	-	-	14.72
Computers & I.T Hardware & Access	103.61	226.16	318.82	583.54	755.62	1,987.76
Electrical Installations	656.99	709.90	709.90	709.90	709.90	3,496.57
Furniture & Fixtures	63.57	65.45	65.45	65.45	65.45	325.36
Intangible Asset	-	-	-	-	-	-
Machinery & Equipment	448.87	448.87	448.87	448.87	448.87	2,244.35
Office Equipment	2.26	2.26	2.26	0.79	-	7.57
Roads, Bridges & Culverts	-	-	-	-	-	-
Tools & Equipment	12.93	12.93	2.89	0.00	0.00	28.74
Vehicle Security	0.09	0.09	0.09	0.09	0.09	0.43
X ray baggage system	-	-	-	-	-	-
<b>TOTAL</b>	<b>2,233.47</b>	<b>2,478.91</b>	<b>2,684.07</b>	<b>3,116.89</b>	<b>3,506.40</b>	<b>14,019.74</b>

4.6.4 The Authority proposed to re-compute depreciation estimate on a line-by-line basis for all assets in Asset Register for First Control Period instead of a block wise estimate.

4.6.5 The Authority noted that the estimated depreciation may undergo a change from above computation based on actual capitalization of assets for each year in the Second Control Period. Thus, the Authority proposed to true up depreciation at the time of determining aeronautical tariffs in the next control period.





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**Table 59: Total Aeronautical depreciation proposed for the Second Control Period by the Authority**

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Apron	247.56	278.97	278.97	278.97	295.77	1,380.25
Buildings Temporary	-	-	-	-	-	-
Building Terminal	972.21	976.12	976.12	976.12	948.71	4,849.28
Cars & Jeeps-Security	1.92	1.92	1.92	1.92	1.92	9.58
Computers & I.T -Servers	17.89	0.40	0.10	0.06	0.05	18.51
Computers & I.T Hardware & Access	117.46	223.78	338.38	672.54	887.43	2,239.59
Electrical Installations	743.82	795.09	795.09	795.06	510.76	3,639.82
Furniture & Fixtures	85.66	88.13	88.07	88.01	57.41	407.29
Intangible Asset	3.70	3.70	3.70	3.70	2.84	17.65
Machinery & Equipment	443.60	443.37	443.37	425.76	425.76	2,181.85
Office Equipment	2.23	2.03	1.89	1.11	0.18	7.44
Roads, Bridges & Culverts	9.70	8.21	-	-	-	17.91
Tools & Equipment	3.23	3.13	3.13	3.13	3.13	15.77
Vehicle Security	0.08	0.08	0.08	0.08	0.08	0.41
X ray baggage system	135.02	135.02	135.02	135.02	135.02	675.12
<b>Total</b>	<b>2,784.09</b>	<b>2,959.96</b>	<b>3,065.85</b>	<b>3,381.49</b>	<b>3,269.06</b>	<b>15,460.45</b>

**4.7 Regulatory Asset Base**

**CHIAL's submission on Regulatory Asset Base**

4.7.1 CHIAL submitted the Regulatory Asset Base to be considered for Tariff determination for the Second Control Period as follows:

**Table 60: CHIAL's submission of average aeronautical RAB for the Second Control Period**

Particulars (Rs. in Lakhs)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Opening RAB	A	34,949.66*	38,135.65	39,561.74	43,422.33	50,456.67	
Additions to RAB	B	5,419.47	3,905.00	6,544.66	10,151.22	8,563.50	34,583.85
Depreciation	C	2,233.47	2,478.91	2,684.07	3,116.89	3,506.40	14,019.74
Closing RAB	D=A+B -C	38,135.65	39,561.74	43,422.33	50,456.67	55,513.77	
<b>Average RAB</b>	<b>E=Avg (A,D)</b>	<b>36,542.65</b>	<b>38,848.70</b>	<b>41,492.04</b>	<b>46,939.50</b>	<b>52,985.22</b>	

\* Closing RAB as considered by CHIAL for FY21 as per Table 27 is Rs. 33,222.65 Lakhs. However, opening RAB as per Table 60 above for FY 22 is Rs. 34,949.66 Lakhs. The difference of Rs. 1,727.01 Lakhs is due to revised value of Apron not included in FY21 as a result of error in formulae.

- For the Second Control Period, CHIAL computed the aeronautical asset additions after applying the ratio as per weighted average aeronautical assets to total assets.





#### 4.8 Authority's analysis relating to Regulatory Asset Base for Second Control Period at the Consultation stage

- 4.8.1 As mentioned in para 2.4.19, X ray baggage which was classified as "right to use" asset as per IND AS 116 in FY 20 and intangible assets were not included in the RAB as per submission by CHIAL in what appeared to be an error of omission.
- 4.8.2 The Authority noted that there was a Cargo building in CWIP amounting to Rs. 2.16 crores in FY 21. In response to a query, CHIAL has informed that the asset needs to be capitalized in FY 22 which was not considered by CHIAL in Second Control Period RAB. The Authority also noted that there was an outstanding Government grant of Rs. 3 Crores approximately in the Financial Statements as of March 2020 towards Cargo project. Since the details of cargo assets was not available at the time of issue of Consultation Paper, the same was not considered as part of RAB. (Further analysis on the same is detailed in Para 4.9.9)
- 4.8.3 Re-estimated Average RAB for the Second Control Period as computed by the Authority was as detailed below:

**Table 61: Aeronautical RAB for the Second Control Period after Authority's examination**

Particulars (Rs. in Lakhs)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Opening RAB	A	38,385.09	40,343.04	37,383.08	35,717.23	34,935.74	
Additions to RAB	B	4,742.04	0.00	1,400.00	2,600.00	1,000.00	9,742.04
Depreciation	C	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	15,460.45
Closing RAB	D=A+B-C	40,343.04	37,383.08	35,717.23	34,935.74	32,666.68	
<b>Average RAB</b>	<b>E=Avg(A,D)</b>	<b>39,364.07</b>	<b>38,863.06</b>	<b>36,550.16</b>	<b>35,326.48</b>	<b>33,801.21</b>	

- 4.8.4 The Authority proposed to readjust the project cost by 1% and the applicable carrying cost in the Target Revenue at the time of determination of tariff for the third control period in case of non-completion of the project as per proposed timelines.

#### 4.9 Stakeholders' comments on Regulatory Asset Base and Depreciation for Second Control Period

- 4.9.1 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of Regulatory Asset Base and Depreciation for the Second Control Period. The comments by stakeholders are presented below:

CHIAL's Comments:

- 4.9.2 CHIAL noted that Capex for SCP approved by the Authority is Rs. 97 Crores only out of the projections submitted by CHIAL of Rs. 366.18 crores. The following is the revised justification given by CHIAL for projects worth Rs. 230 crores including the approved amount of Rs. 97 crores for reconsideration by the Authority:

Extension of Corridor domestic side with 4 Nos. of Aerobridge – 60 Crores:

- 4.9.3 CHIAL has reached to the level of 70% of domestic side of terminal building during FY 2019-20. By FY 2024, the Aerobridges are expected to saturate on the domestic side of the airport to level of 80-85%. Hence, an extension of corridor adjoining existing terminal building will be required for the passenger movement and passenger facilitation. Further AUCC for the subject under mention has already been conducted and during the AUCC, stakeholders have agreed for the project.

PTT phase 2 towards J Link – 40 Crores:





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- 4.9.4 CHIAL proposed to construct parallel taxi track towards runway 11 side near J Taxi Link, which will result in reduction of turnaround period along with reduction in fuel consumption and waiting time for landing and take-off the aircraft, consequently, resulting in cost effective airport.  
Integrated Operational Offices – 20 Crores:
- 4.9.5 The Traffic proposed by Authority is expected to reach to level of 70-80 % of the designed capacity by 2025 therefore the administrative offices need to be re-located for the smooth passenger operation at terminal building. Thus, the requirement for integrated operational offices will be required for operational purpose/passenger facilitation purpose by FY 2025.  
2 Nos. of Hangars – 14 Crores:
- 4.9.6 Since no facility of Hangar is available at this airport airlines are forced to park their aircraft for minor repair and other works at the airport where the hanger facility are available. The construction of hangars will facilitate the airlines as they will not need to move to other airports for minor repair and maintenance.
- 4.9.7 CHIAL requests the Authority to consider the Capex for cargo operations and CISF Barrack worth Rs. 549.70 lakhs and Rs. 281.91 lakhs respectively as additions to Regulatory asset base of Second Control Period and depreciation on the same of Rs. 109.12 lakhs.
- 4.9.8 CHIAL noted that erroneously, in their MYTP submission, that CISF barrack cost was not considered in SCP RAB in FY22 and same was lying in CWIP in FY21. Therefore, CHIAL has submitted the same together with information on Capital Expenditure related to cargo operations.
- 4.9.9 CHIAL also submitted details of cargo assets together with cost of CISF barracks as follows:

**Table 62: Additions to RAB- Cargo Assets & CISF Barracks, submitted by CHIAL in response to Consultation Paper**

Classification (Rs. In Lakhs)	Ref.	Amount
Building	A	494.55
Road	B	165.20
Plant & Machinery	C	401.95
Electrical Installations & Equipment	D	51.00
<b>Total</b>	<b>E=A+B+C+D</b>	<b>1,112.70</b>
Less Grant expected to be received	F	563.00
<b>Net Capitalization in FY 22 (Cargo Assets)</b>	<b>G=E-F</b>	<b>549.70</b>
CISF barrack – building	H	245.93
CISF barrack - electrical installations	I	35.98
<b>TOTAL Additions to RAB FY 22</b>	<b>G+H+I</b>	<b>831.61</b>

- 4.9.10 CHIAL has also considered the depreciation on these cargo assets assuming that a grant of 50% is received towards the cost of cargo assets.

**Table 63: Depreciation on Cargo Assets and CISF Barrack, submitted by CHIAL in response to Consultation Paper**

Particulars	Ref.	Rate	Depreciation (Rs. in Lakhs)				
			FY 22	FY 23	FY 24	FY 25	FY 26
Building	A	3%	7.42	14.84	14.84	14.84	14.84
Road	B	3%	2.48	4.96	4.96	4.96	4.96
Plant & Machinery	C	6%	12.06	24.12	24.12	24.12	24.12





**REGULATORY ASSET BASE & DEPRECIATION FOR SECOND CONTROL PERIOD**

Particulars	Ref.	Rate	Depreciation (Rs. in Lakhs)				
			FY 22	FY 23	FY 24	FY 25	FY 26
Electrical Installations & Equipment	D	9%	2.3	4.59	4.59	4.59	4.59
<b>Total Depreciation - Cargo Assets</b>	<b>E=Sum(A:D)</b>		<b>24.25</b>	<b>48.5</b>	<b>48.5</b>	<b>48.5</b>	<b>48.5</b>
Depreciation net of Grant @ 50% of A	<b>F=E*50%</b>		<b>12.12</b>	<b>24.25</b>	<b>24.25</b>	<b>24.25</b>	<b>24.25</b>
CISF barrack – building	G	3%	3.69	7.38	7.38	7.38	7.38
CISF barrack - electrical installations	H	9%	1.62	3.24	3.24	3.24	3.24
<b>Total Aeronautical Depreciation</b>	<b>I=F+G+H</b>		<b>17.43</b>	<b>34.87</b>	<b>34.87</b>	<b>34.87</b>	<b>34.87</b>

FIA's Comments:

- 4.9.11 FIA appreciates that considering the reduced traffic owing to COVID-19, the Authority has rationalized the capital expenditure and excluded certain proposed additions to RAB. FIA reiterates its request for independent study of asset allocation and efficient capital expenditure, as mentioned at para 2.4.27 above.
- 4.9.12 Further, AERA should ensure that no deviations of capex/costs are approved than the rates prescribed under the AERA Normative Order No. 07/2016-17 “*In the matter of normative approach to building blocks in economic regulation of major airports – capital costs reg.*” dated 13.06.2016.
- 4.9.13 Request to consider useful life of Building to be 60 years instead of 30 years as mentioned at para 2.5.10 above.

**4.10 CHIAL's response to Stakeholders' comments on Regulatory Asset Base and Depreciation for Second Control Period**

- 4.10.1 CHIAL noted that the same comments have been raised by FIA on RAB as in First Control Period and has responded to the same in para 2.5.11.

**4.11 Authority's examination after reviewing stakeholders' comments on Regulatory Asset Base and Depreciation for Second Control Period**

- 4.11.1 The Authority noted the request of FIA for conducting independent study of asset allocation and efficient capital expenditure and to consider useful life of Building to be 60 years instead of 30 years. This has been addressed in the section on true up of First control Period in para 2.5.13.
- 4.11.2 In response to the Normative cost by FIA, that the Authority has not approved any major capital projects falling under the normative order. However, adherence to Normative Cost Order will be checked during true up in next control period in case of any significant capital expenditure/works. The Authority had also commented that CHIAL needs to ensure compliance with the Normative cost order, where applicable, for all Capital Expenditure.
- 4.11.3 The Authority noted the request of CHIAL for considering the assets additionally for Rs. 230 crores for Second Control Period. Authority decides not to consider the same for reasons explained below:

1. Extension of Corridor domestic side with 4 Nos. of Aerobridge – 60 Crores:

The Authority finds no requirement for Extension of Corridor based on current volumes of traffic. If there is a need based on changes in traffic and the requirements, this will be true up at the time of determination of tariff for the next control period based on incurrence and evaluation of the same.





## REGULATORY ASSET BASE & DEPRECIATION FOR SECOND CONTROL PERIOD

### 2. PTT phase 2 towards J Link – 40 Crores:

The Authority has reviewed the comment given by CHIAL and noted that CHIAL has not taken into cognizance land acquisition of about 11 acres which is required for commencement of the PTT project and is expected to take considerable time. Hence, the Authority stands with the decision for not considering this project for additions to Second Control Period. However, in case the work executed / needs to be executed during the control period, due to increase in traffic, based on actual incurrence, efficiency and capitalization, the same would be trued up after due evaluation in the next control period.

### 3. Integrated Operational Offices – 20 Crores:

The Authority is consistent with its proposal presented in Consultation Paper No. 09/2021-22, that the Capital Expenditure for Integrated Operational Offices will not be considered in the current control period due to such traffic projections. However, if the construction of office block is required due to increase in traffic conditions, the same will be trued up based on actuals in the next control period.

### 4. Hangars (2 numbers) – 12 Crores:

The Authority has reviewed the comment given by CHIAL and is of the view that large number of airports in country do not have hangars. The Airport operator has not demonstrated any demand from airlines to justify such a spend. Hence, the Authority continues with its stand presented in Consultation Paper No. 09/2021-22.

- 4.11.4 The Authority notes the submission of cargo assets and related depreciation by CHIAL. The Authority reviewed the Cargo asset addition proposed vis a vis the Work Orders issued. The comparison is as detailed below.

**Table 64: Comparison of Cargo Assets as per CHIAL with the awarded Work orders**

Classification	Amount capitalized as per CHIAL	Amount for which PO/ WO is given	Difference
Building	494.55	286.97	-207.58
Road	165.20	212.00	46.80
Plant & Machinery	401.95	44.90	-357.04
Electrical Installations & Equipment	51.00	34.70	-16.30
<b>Total</b>	<b>1,112.70</b>	<b>578.57</b>	<b>-534.13</b>
<b>Grant amount</b>	<b>563.00</b>	<b>298.59</b>	<b>-264.41</b>
<b>Net Capitalization</b>	<b>549.70</b>	<b>279.98</b>	<b>-269.72</b>

- 4.11.5 CHIAL has informed that the balance works related to Cargo are in tendering stage.
- 4.11.6 As against these assets, the amount of government grants as per CHIAL's audited balance sheet as at 31-Mar-2020 is Rs. 298.59 Lakhs.
- 4.11.7 The Authority decides to consider the Cargo assets based on the submission made by CHIAL for which orders have been issued, less the value of government grant in the books of accounts as at 31-Mar-2020 as addition to RAB currently. This will be duly evaluated and trued up at the time of determination of tariff for the third control period.



**REGULATORY ASSET BASE & DEPRECIATION FOR SECOND CONTROL PERIOD**

**Table 65: Cargo Assets and CISF Barracks additions to RAB – considered by Authority**

Classification (Rs. In Lakhs)	Ref.	Capitalization	Grant Adjustment	Net
Building	A	286.97	-148.10	138.87
Roads	B	212.00	-109.41	102.59
Plant & Machinery	C	44.90	-23.17	21.73
Electrical Installations & Equipment	D	34.70	-17.91	16.79
<b>TOTAL</b>	<b>E=A+B+C+D</b>	<b>578.57</b>	<b>-298.59</b>	<b>279.98</b>
Less: Grant received	F	298.59		
Additions to RAB – Cargo	G=E-F	279.98		
CISF barracks	H	281.91		
<b>TOTAL additions to RAB</b>	<b>I=G+H</b>	<b>561.89</b>		

4.11.8 Depreciation considering useful life as per Order No. 35 / 2017-18 as per the Authority is as below.

**Table 66: Depreciation Computed by the Authority on Cargo Assets & CISF Barracks**

Classification (Rs. In Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Building	6.36	12.72	12.72	12.72	12.72	57.25
Roads	5.09	10.17	10.17	10.17	10.17	45.79
Plant & Machinery	0.72	1.44	1.44	1.44	1.44	6.47
Electrical Installations & Equipment	2.62	5.23	5.23	5.23	5.23	23.55
<b>TOTAL</b>	<b>14.78</b>	<b>29.57</b>	<b>29.57</b>	<b>29.57</b>	<b>29.57</b>	<b>133.05</b>

4.11.9 Based on the above changes from the proposals made in the Consultation paper, the average RAB and depreciation decided to be considered by the Authority for Second control period is as below.

**Table 67: Average RAB considered for the Second Control Period by the Authority including Cargo Assets and its depreciation:**

Particulars (Rs. in Lakhs)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Opening RAB	A	38,385.09	40,890.15	37,900.62	36,205.20	35,394.14	
Additions to RAB (Table 55)	B	4,742.04	0.00	1,400.00	2,600.00	1,000.00	9,742.04
Additions to RAB -Cargo Assets & CISF (Table 65)	C	561.89					561.89
Depreciation (Table 59)	D	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	15,460.45
Depreciation for Cargo Assets & CISF (Table 66)	E	14.78	29.57	29.57	29.57	29.57	133.05
Closing RAB	F=A+B+C-D-E	40,890.15	37,900.62	36,205.20	35,394.14	33,095.52	
Average RAB	G=Avg(A,F)	39,637.62	39,395.38	37,052.91	35,799.67	34,244.83	

**4.12 Authority's decisions on Regulatory Asset Base and Depreciation for Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to RAB for the Second Control Period:





## REGULATORY ASSET BASE & DEPRECIATION FOR SECOND CONTROL PERIOD

- 4.12.1 To consider additions to RAB as per Table 55 & Table 65.
- 4.12.2 To consider Depreciation on Aeronautical assets as per Table 59 & Table 66.
- 4.12.3 To consider average RAB for the Second Control Period as per Table 67.
- 4.12.4 To true up the additions to RAB, Depreciation and Average RAB at the time of determination of Aeronautical Tariff for the third control period after due evaluation and analysis.
- 4.12.5 To readjust the project cost by 1% and the applicable carrying cost in the ARR/Target Revenue at the time of determination of tariff for the third control period in case of non-completion of the project as per proposed timelines (para 4.3.7).



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## CHAPTER 5. RETURN ON LAND COST

### 5.1 CHIAL's submission on Return on Land cost

5.1.1 CHIAL had claimed the following return on land cost in their MYTP submission.

**Table 68: CHIAL's submission of Land return for Second Control Period**

Particulars (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Land Value	40,786.90	40,786.90	40,786.90	40,786.90	40,786.90	
Rate of Return	9.40%	9.40%	9.40%	9.40%	9.40%	
<b>Return Value Rs. Lakhs</b>	<b>4,111.61</b>	<b>4,111.61</b>	<b>4,111.61</b>	<b>4,111.61</b>	<b>4,111.61</b>	<b>20,558.05</b>

### 5.2 Authority's analysis relating to Return on Land for Second Control Period at the Consultation Stage

- 5.2.1 CHIAL had, in its submission noted that out of the total land area of 300.04 acres, 10% of the area i.e. 30 acres have been ear-marked for commercial development and hence return on land was sought for the remaining 270.04 acres.
- 5.2.2 The area of land owned by CHIAL is for entire Operations, including Real estate, Land reserved for future use etc. The Authority noted that area of land demarcated for Commercial Development/ Non-Airport project should be excluded for evaluation for providing return.
- 5.2.3 The Authority also noted that the Land area that is demarcated for Airport Operations but where no operations are carried out currently should be excluded for the purpose of providing return, until the land is put to use by CHIAL for Airport related developments.
- 5.2.4 Accordingly, the Authority had analyzed the land usage which has been summarized below:

**Table 69: Authority analysis of the usage of Land by CHIAL**

Particulars	Ref	Area acres	Remarks
<b>Total Land Area</b>	<b>A</b>	<b>300.04</b>	
Area demarcated for Commercial Use – Phase 1	B	30.09	Will be constructed in Second Control Period as per CHIAL
Area demarcated for Commercial Use – Phase 2	C	28.02	Work will commence after 2026 as per CHIAL
Balance Land Area	D = A-B-C	241.93	
Of the above, area reserved for future use:			
Future Expansion: 7.38	E	35.38	Future Expansions, currently unused as per CHIAL
Terminal Building: 12.00			
Car Parking: 6.00			
General Aviation Apron: 10.00			
<b>Balance Area used for Airport Operations</b>	<b>F = D-E</b>	<b>206.55</b>	
Airport Operations consists of:			
Terminal Building	F1	6.00	
Land for open areas (Green, roads etc.)	F2	18.61	





RETURN ON LAND COST

Particulars	Ref	Area acres	Remarks
Air side apron, taxi track, basic strip and other areas	F3	140.00	
Flyover/ Road area city side	F4	23.90	
Existing car parking area	F5	4.80	
CISF Barracks Area	F6	4.24	
Cargo Area	F7	4.00	
Service yard	F8	5.00	
<b>Total</b>		<b>206.55</b>	

5.2.5 Of the land used for Airport Operations, Land area used exclusively for Non-Aeronautical purposes should be segregated and return evaluated for the balance areas only. This is detailed below.

**Table 70: Segregation of land used for airport operations into aeronautical, non-aeronautical and common**

Particulars (Area in Acres)	Ref	Aero	Non - Aero
Terminal Building	F1	6.00	
Land for open areas (green, roads, etc.)	F2	18.61	
Air side apron, taxi track, basic strip and other areas	F3	140.00	
Flyover/road area city side	F4	23.90	
Existing car parking area	F5		4.80
CISF Barracks Area	F6	4.24	
Cargo Area	F7	4.00	
Service yard	F8	5.00	
<b>TOTAL - Area used for Airport Operations to be considered for Land Return</b>	<b>F</b>	<b>201.75</b>	<b>4.80</b>

5.2.6 Therefore, Land return was proposed to be provided on land used for aeronautical purpose viz. 201.75 acres.

5.2.7 Cost of land on which Land Return was to be provided was analyzed as below.

- As per Land Return Order No. 42/2018-19 dated 5<sup>th</sup> March 2019, in case of lands acquired in the past, the recorded value will be taken into consideration.
- The Authority noted that Land had been purchased and subsequently capitalized at a value of Rs. 45,318.73 Lakhs for 300.04 Acres. For the purpose of computation, the Authority had proposed to consider proportionate cost of 201.75 Acres which works out to Rs. 30,472.78 Lakhs. (CHIAL's submission of proportionate cost for 270.04 Acres was Rs. 40,786.90 Lakhs)

5.2.8 Rate of return for Land was analysed as below:

- As per Land Return Order No. 42/2018-19 dated 5<sup>th</sup> March 2019, for Land purchased by airport operating company either from private parties or from government, the compensation will be by way





of equated annual installment computed at actual cost of debt or SBI rate plus 2% whichever is lower over a period of 30 years.

- CHIAL's submission had considered SBI rate as of March 2021.
- The Authority had proposed to consider AAI's cost of debt (as submitted by them at 6.21%) to be the rate at which the return is to be provided to CHIAL.

5.2.9 Accordingly, the estimated return on land considering the above was computed as below:

**Table 71: Return on land proposed for the Second Control Period by the Authority**

Particulars (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Land Value	30,472.78	30,472.78	30,472.78	30,472.78	30,472.78	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
<b>Return Value*</b>	<b>2,263.79</b>	<b>2,263.79</b>	<b>2,263.79</b>	<b>2,263.79</b>	<b>2,263.79</b>	<b>11,318.95</b>

\*Return Value = Equated Annual Installment computed at actual cost of debt

Equated Annual Installment =  $[Cost * Rate * (1 + Rate)^{30}] / [(1 + Rate)^{30} - 1]$ , where Cost = Rs. 30,472.78 Lakhs and Rate = 6.21%

### 5.3 Stakeholders' comments on Return on Land for Second Control Period

5.3.1 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of Return on Land for the Second Control Period. The comments by stakeholders are presented below:

GMADA's Comments:

5.3.2 GMADA request the Authority to provide return on cost of land of Second Control Period on the compounded value of cost of land taking into consideration the cost of inflation index (CII) for the First Control Period.

5.3.3 Consider SBI Base rate +2% as rate of return on land rather than considering AAI cost of debt as AAI is a statutory body working under Ministry of Civil Aviation, Government of India, whereas CHIAL is a company which is registered under Companies Act and have a different credentials and not guaranteed by the Government of India.

FIA's Comments

5.3.4 FIA recommends that no returns may be provided for investment in land by CHIAL, in view of the fact that value of land does not depreciate over time.

### 5.4 CHIAL's response to Stakeholders' comments on Return on Land for Second Control Period

CHIAL counter comments to FIA's comments are stated below:

5.4.1 AERA vide order no. 42/2018-19 dated 5<sup>th</sup> March 2019 states that fair return on land will be provided to Airport operators, who have purchased land. As in case of CHIAL, land has been purchased long back in the year 2015 and the same was contributed as equity by shareholders, hence a nominal rate of return as per AERA order was proposed for consideration.

5.4.2 Further, Authority vide above said order has considered to amortize the land value over 30 years for tariff computation. It is worthwhile to mention here that CHIAL is not a land developer and using the land majorly for aeronautical purpose only and any increase in the land valuation has only the notional impact and may not be commercially exploit like other land owners as there is restricted use of land/for specified purpose of airport sector. Therefore, CHIAL has considered return on land cost in line with the AERA





Order. If the return on land is not being provided than it would otherwise impact the airlines by increasing the cost of other available infrastructure at airport. Further if the land is purchase in tranches in future that will cost significantly and may impact the airlines and other stakeholders and may create this venture unavailable. And from the investor point of view, the risk free return is available in the market at 6-7% whereas the airport sector is full of risk and Authority has rationalized the return on land by above said order i.e SBI Rate +2% which is reasonable from the equity stakeholder point of view.

### **5.5 Authority's examination after reviewing stakeholders' comments on Return on Land for Second Control Period**

- 5.5.1 The Authority has reviewed the comments raised by GMADA. Authority's analysis on the same has been addressed in para 2.7.11.
- 5.5.2 The Authority has reviewed FIA's comments. The Authority's analysis on the need and manner of provision of return have been elaborated vide AERA Order No 42//2018-19 dated 5<sup>th</sup> March 2019 in the Land Return Order. The order has provided detailed explanation on the need and the manner of computing the return on land.
- 5.5.3 The Authority has computed the return on land in line with the principles laid down in the afore mentioned order which was finalized after a detailed consultation process.

### **5.6 Authority's decisions on Return on Land for Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to return on land for the Second Control Period:

- 5.6.1 To consider usage of land for the purpose of computing return on land as per Table 70.
- 5.6.2 To consider cost of land as per Para 5.2.7
- 5.6.3 To consider 6.21% as rate for computing return on land, based on the cost of debt availed by AAI.
- 5.6.4 To consider return on cost of land as per Table 71





## CHAPTER 6. FAIR RATE OF RETURN FOR SECOND CONTROL PERIOD

### 6.1 CHIAL's submissions relating to Fair Rate of Return

- 6.1.1 CHIAL had considered Fair Rate of Return (FRoR) as 15%, in line with the recent study conducted by IIM for AERA in case of MIAL.
- 6.1.2 CHIAL had submitted no debt projections for the Second Control Period as they will have sufficient internal accruals for funding future expansions.

### 6.2 Authority's analysis relating to Fair Rate of Return for Second Control Period at the Consultation stage

- 6.2.1 The Authority noted CHIAL's submission that it does not propose to raise any debt during the Second Control Period.
- 6.2.2 The Authority noted that funding the entire project cost by way of Equity is not an efficient means of financing as has been noted in the tariff determination process across various airports.
- 6.2.3 However, based on CHIAL's submission, the Authority proposed to consider the cost of equity at 14% as has been done for the First Control Period.
- 6.2.4 The Authority advised CHIAL to evaluate and have more efficient means of financing of the Projects going forward through debt etc. to lower the overall cost in the interest of Airport users.

### 6.3 Stakeholders' comments on Fair Rate of Return for Second Control Period

- 6.3.1 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in Consultation Paper No. 09/2021-22 with respect to determination of FRoR for the Second Control Period. The comments by stakeholders are presented below:

#### FIA's Comments

- 6.3.2 FIA submits that fixed/ assured return favours the Airport Operators, and creates an imbalance against the airline, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.
- 6.3.3 Further, due to such fixed / assured returns, service providers like CHIAL have no incentive to look for the productivity improvement or ways of increasing efficiencies or take steps to drastically reduce costs as they are fully covered for all the costs plus their returns. Such a scenario may result in inefficiencies and higher costs, which are ultimately borne by the airlines. In the present scenario any assured return on investment (i.e., return on investment after the income tax), in excess of three (3) %, i.e., being at par with bank fixed deposits, will be onerous for the airlines.
- 6.3.4 In view of the above, AERA is requested to immediately review FRoR by capping the returns to a maximum of three (3)%.

#### AAI's comments:

- 6.3.5 To consider Cost of equity at 16% in line with previous practice.

### 6.4 CHIAL's response to Stakeholders' comments on Fair Rate of Return for Second Control Periods

- 6.4.1 CHIAL understand the concerns raised by FIA with regards to reasonableness of the cost incurred by airport operator. And as mentioned in our earlier responses we are open to any independent review for accessing the reasonableness of the capital expenditure and operating expenses.





## FAIR RATE OF RETURN FOR SECOND CONTROL PERIOD

6.4.2 Further, CHIAL would like to submit that it would be difficult to attract any future investment in form of Debt or Equity if the FROR is capped at 3%. Therefore, we request the Authority to consider their initial proposal for capping cost of equity at 14%. It is for the kind information that CHIAL has initiated various measures for the creation of infrastructure (i.e facilities like PBB, Inline X-ray Baggage, night parking facilities for scheduled airlines) for airlines with no additional cost whereas airlines are paying for the same at other airports.

Further CHIAL has also taken the initiative to introduce the incentive schemes for the domestic & international airlines which may be rarely available at any other airport. This may directly reduce the cost to airlines. It is also worthwhile to mention here that the risk free returns available in the market at government bonds is close to 6-7% and considering the airport sector is the most sensitive sector, and majorly impacted sector as its revenue is directly affected due to change in any stimulus impacting the economy.

### **6.5 Authority's examination after reviewing stakeholders' comments on Fair Rate of Return for Second Control Period**

6.5.1 The Authority notes FIA's comment on the Airline industry facing tough times. The Authority is cognizant of the same. The Authority is also required to balance the interest of all the stakeholders of the airport.

6.5.2 The Authority has laid down the principles and framework of tariff determination in Authority's Orders and Directions. The setback due to Covid-19 pandemic is expected to be temporary and as commented by various stakeholders from time to time, traffic will come back to Pre-Covid Levels (FY 2019-20) in due course. In view of this it may not be practical to bring changes in the philosophy on tariff determination. Accordingly, the Authority does not find the need to change the FRoR currently.

6.5.3 The Authority notes AAI comments and is of the view that CHIAL in its submission did not propose to raise any debt due to sufficient internal accruals to fund proposed additions to RAB during the control period and such Capital structure is not efficient and rationally leveraged. Accordingly, in line with First Control Period the cost of equity is considered as 14%. Airport operator is advised to evaluate optimal means of financing and leveraging debt, in the interest of the Airport users.

### **6.6 Authority's decisions on Fair Rate of Return for Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following:

6.6.1 To consider FRoR at 14% for Second Control Period considering that it would have sufficient internal accruals to fund proposed additions to RAB during the control period but advises CHIAL to evaluate efficient means of financing.

6.6.2 To true up the FRoR based on actual debt-equity ratio and the cost of debt and equity as determined at the time of determination of aeronautical tariff for the third control period.





## CHAPTER 7. OPERATING & MAINTENANCE EXPENSES FOR SECOND CONTROL PERIOD

### 7.1 CHIAL's submission on Operating Expenses for Second Control Period

- 7.1.1 CHIAL had considered operating expenses incurred in FY20 as the base amount for estimating expenditure for the Second Control Period.
- 7.1.2 Total operating expense estimate submitted by CHIAL for the Second Control Period was as follows:

**Table 72: CHIAL's submission of total operating and maintenance expenditure for the Second Control Period**

O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
<b>Manpower expenses</b>	<b>612.41</b>	<b>694.47</b>	<b>802.53</b>	<b>927.40</b>	<b>1,071.70</b>	<b>4,108.50</b>
Operating expenses						
Repair & Maintenance	816.06	899.71	1,010.82	1,146.47	1,300.33	5,173.38
Housekeeping & Cleaning works	420.32	463.40	520.63	596.07	682.44	2,682.85
Consumption of Stores & Spares	79.75	87.93	98.79	112.05	127.08	505.60
Electricity & Water Charges	855.66	898.44	943.36	1,009.40	1,080.05	4,786.90
Other Operating expenses	27.87	30.73	34.52	39.53	45.25	177.90
<b>Total operating expense</b>	<b>2,199.66</b>	<b>2,380.20</b>	<b>2,608.12</b>	<b>2,903.51</b>	<b>3,235.16</b>	<b>13,326.64</b>
Administrative & Other expenses						
Postage & Telegram and others	16.63	18.33	20.59	23.58	26.99	106.12
Travelling Expenses	17.45	19.24	21.62	24.75	28.33	111.39
Consultancy Charges	66.61	73.44	82.51	94.47	108.15	425.19
Insurance expenses	4.77	5.26	5.91	6.77	7.75	30.45
Facilitation Expenses	144.04	158.80	178.41	204.27	233.86	919.38
Hire charges Others	122.40	134.95	151.61	173.58	198.73	781.27
Hire charges Inline X-Ray Baggage Manpower	121.00	133.10	146.41	161.05	177.16	738.72
Collection charges on PSF	57.95	63.89	71.78	82.18	94.09	369.87
Subscription (Professional bodies)	33.98	37.46	42.09	48.19	55.17	216.89
Corporate Social Responsibility	18.06	19.91	22.37	25.61	29.32	115.27
UDF Collection charges	51.61	61.07	67.79	73.89	80.54	334.89
Other Administrative Charges	14.10	15.55	17.47	22.19	22.89	92.19
<b>Total Administrative &amp; Other expenses</b>	<b>668.59</b>	<b>740.99</b>	<b>828.55</b>	<b>940.50</b>	<b>1,062.99</b>	<b>4,241.62</b>
<b>Total O&amp;M Expense</b>	<b>3,480.65</b>	<b>3,815.66</b>	<b>4,239.20</b>	<b>4,771.41</b>	<b>5,369.85</b>	<b>21,676.77</b>

- 7.1.3 A summary of CHIAL's assumptions, basis and year on year growth factored was as follows:



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**Table 73: CHIAL's assumption, basis and growth on operating expense for the Second Control Period**

O&M Cost	Assumption for growth (y-o-y basis)	Basis
Manpower expenses	The manpower expenses, pays & allowances including contribution to provident fund (PF), house rent allowance (HRA), dearness allowances (DA) and medical expenses is expected to grow by 13.42% in FY22 over the Pre Covid level in FY20, 13.42% p.a. in FY23 and at 15.56% p.a. thereafter. The headcount additions are expected to increase to 44 in FY22, 50 in FY 23 and 60 in FY25.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 8% from FY22 and thereafter and overall increases to 13.42% for FY22 & FY23 and 15.56% for FY24 and onwards.
<b>Operating expenses</b>		
Repair & Maintenance	Expenditure on Repair & maintenance expenditure are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35 %p.a. in FY24 and at 13.42% p.a. thereafter.	Based on inflation of 5% for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 6% thereafter.
Housekeeping & Cleaning works	Expenditure on Housekeeping & Cleaning works are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Consumption of Stores & Spares	Expenditure on Consumption of Stores & Spares are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35 %p.a. in FY24 and at 13.42% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 6% thereafter.
Electricity & Water Charges	Expenditure on Electricity & Water Charges is expected to grow by 5 % in FY22 over the corresponding actual expenses in FY20, at 5% p.a. in FY23 and FY24 and at 7% p.a. y-o-y thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter.
Other Operating expenses	Other Operating expenses are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
<b>Administrative &amp; Other expenses</b>		
Postage & Telegram and others	Postage & Telegram, Printing & Stationery, Telephone Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Travelling Expenses	Travelling Expenses are expected to decelerate by 21.25% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Consultancy Charges	Consultancy Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.





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<b>O&amp;M Cost</b>	<b>Assumption for growth (y-o-y basis)</b>	<b>Basis</b>
Insurance expenses	Insurance expenses are expected to increase at 104.75% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The steep growth in insurance expense in FY21 is on account of budgeted purchase of additional Insurance against building & fire with inflation & growth.
Facilitation Expenses	Facilitation Expenses are expected to decelerate by 26.5% in FY22 over the corresponding expense in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. y-o-y thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Hire charges Others	Hire charges Others are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Hire charges Inline X-Ray Baggage Manpower	The annual hire charge of manpower for Inline X-ray Baggage is budgeted for a headcount of 32 at INR 110 Lakhs in FY21. These charges are expected to increase 10% y-o-y for during the 2 <sup>nd</sup> control period.	Based on inflation of 5 % for FY 22 thereafter along with a growth of 5% for FY 22 thereafter.
Collection charges on PSF	Collection charges on PSF/UDF are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Subscription (Professional bodies)	Subscription expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Corporate Social Responsibility	Corporate Social Responsibility are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
UDF Collection charges	UDF Collection Charges are expected to be collected at Rs.5 per passenger from airlines.	Based on passenger traffic
Other Administrative Charges	Miscellaneous Office Expenses and Other Expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.

7.1.4 Expense allocation ratio and the resultant aeronautical expense on application of these ratios to the total estimated expense as submitted by CHIAL was as follows:





**OPERATING & MAINTENANCE EXPENSES FOR SECOND CONTROL PERIOD**

**Table 74: O&M expense allocation ratio proposed by CHIAL for Second Control Period (in %)**

O&M Cost	Aero %	Non- Aero %	Basis
Manpower expenses	94.69%	5.31%	Based on increased number of employees deputed in respective departments. The total number of employees is expected to increase to 44 in FY22, 50 in FY 23 and 60 in FY25.
<b>Operating expenses</b>			
Repair & Maintenance	94.05%	5.95%	Based on average Aeronautical RAB
Housekeeping & Cleaning works	94.05%	5.95%	Based on average Aeronautical RAB
Consumption of Stores & Spares	94.05%	5.95%	Based on average Aeronautical RAB
Electricity & Water Charges	94.05%	5.95%	Based on average Aeronautical RAB
Other Operating expenses	94.05%	5.95%	Based on average Aeronautical RAB
<b>Administrative &amp; Other expenses</b>			
Postage & Telegram and others	94.05%	5.95%	Based on average Aeronautical RAB
Travelling Expenses	94.05%	5.95%	Based on average Aeronautical RAB
Consultancy Charges	94.05%	5.95%	Based on average Aeronautical RAB
Insurance expenses	94.05%	5.95%	Based on average Aeronautical RAB
Facilitation Expenses	94.05%	5.95%	Based on average Aeronautical RAB
Hire charges Others	94.69%	5.31%	Based on Employee head count Ratio
Hire charges Inline X-Ray Baggage Manpower	94.69%	5.31%	Based on Employee head count Ratio
Collection charges on PSF	94.05%	5.95%	Based on average Aeronautical RAB
Subscription (Professional bodies)	94.05%	5.95%	Based on average Aeronautical RAB
Corporate Social Responsibility	0.00%	100.00%	
UDF Collection Charges	100.00%	0.00%	Based on passengers so wholly Aero.
Other Administrative Charges	94.05%	5.95%	Based on average Aeronautical RAB

**Table 75: CHIAL's submission of aeronautical O&M expenditure for the Second Control Period**

O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	579.89	657.60	759.92	878.16	1,014.81	<b>3,890.38</b>
<b>Operating expenses</b>						
Repair & Maintenance	767.47	846.13	950.63	1,078.21	1,222.90	<b>4,865.35</b>
Housekeeping & Cleaning works	395.29	435.81	489.63	560.58	641.80	<b>2,523.11</b>
Consumption of Stores & Spares	75.01	82.69	92.91	105.38	119.52	<b>475.50</b>
Electricity & Water Charges	804.71	844.94	887.19	949.29	1,015.74	<b>4,501.88</b>
Other Operating expenses	26.21	28.90	32.47	37.17	42.56	<b>167.31</b>
Total operating expense	2,068.69	2,238.48	2,452.83	2,730.63	3,042.53	<b>12,533.14</b>





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O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
<b>Administrative &amp; Other expenses</b>						
Postage & Telegram, Telex	15.64	17.24	19.37	22.17	25.39	<b>99.81</b>
Travelling Expenses	16.41	18.09	20.33	23.28	26.65	<b>104.76</b>
Consultancy Charges	62.65	69.07	77.60	88.85	101.72	<b>399.89</b>
Insurance expenses	4.49	4.95	5.56	6.36	7.28	<b>28.64</b>
Facilitation Expenses	135.47	149.35	167.80	192.11	219.95	<b>864.68</b>
Hire charges Others	115.90	127.78	143.56	164.36	188.18	<b>739.78</b>
Hire charges Inline X-Ray Baggage Manpower	114.57	126.03	138.64	152.50	167.75	<b>699.49</b>
Collection charges on PSF	54.50	60.09	67.51	77.29	88.49	<b>347.87</b>
Subscription (Professional bodies)	31.96	35.23	39.58	45.32	51.89	<b>203.98</b>
Corporate Social Responsibility	-	-	-	-	-	-
UDF Collection charges	51.61	61.07	67.79	73.89	80.54	<b>334.89</b>
Other Administrative Charges	13.26	14.62	16.43	20.87	21.53	<b>86.71</b>
Administrative & Other expenses	616.45	683.53	764.16	866.99	979.36	<b>3,910.49</b>
<b>Total O&amp;M Expense</b>	<b>3,265.03</b>	<b>3,579.60</b>	<b>3,976.90</b>	<b>4,475.78</b>	<b>5,036.69</b>	<b>20,334.01</b>

**7.2 Authority's analysis of Operating Expenses for Second Control Period at the Consultation stage**

- 7.2.1 The Authority reviewed the submission made by CHIAL in detail.
- 7.2.2 As per the rationale detailed in Para 2.9.4, the Authority considered recovery for Light & water charges and Common area maintenance as a reduction from electricity and water and Housekeeping charges respectively.
- 7.2.3 The Authority further analyzed the head wise break up of these broad categories. Considering the ongoing COVID-19 pandemic situation and need for rationalization of all categories of expenditure by the Airport Operator, the Authority had evaluated the estimate for projection of Operating Expenses under different heads. A summary of head wise basis of estimate proposed by the Authority in comparison with the basis of projection as adopted by CHIAL was provided as below:

**Table 76: O&M estimates proposed by Authority in comparison with the projections adopted by CHIAL**

O&M Cost	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
Manpower expenses	The headcount additions are expected to increase to 44 in FY22 from 25 employees in FY 21, 50 in FY 23 and 60 in FY25.	The number of employees expected by CHIAL is high for Second Control Period. The Authority advised CHIAL to evaluate this need and rationale before deployment considering the prevailing situation in view of the COVID-19 scenario. Therefore, the Authority proposed to consider no increase in number of employees in FY 22 and thereafter increase to 35 in FY 23 from 25 employee in FY 22 and to 45 employees in FY 25.



**OPERATING & MAINTENANCE EXPENSES FOR SECOND CONTROL PERIOD**

<b>O&amp;M Cost</b>	<b>Basis of projection as adopted by CHIAL</b>	<b>Basis of projection as proposed by Authority</b>
	Manpower cost is expected to grow by 13.4% in FY22 over the Pre Covid level in FY20, 13.4% p.a. in FY23 and at 15.56% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from FY21 along with growth rate of 2% every year. Pre-Covid Level (FY20)-considered as a base year for other operating expenses has not be considered for estimating Manpower expenses as the Pay and Allowances of FY 2019-20 includes amount of Third pension which was paid in this year as a one-time cost. Hence, FY21 was taken as base year.
<b>Operating expenses</b>		
Repair & Maintenance	Expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35 %p.a. in FY24 and at 13.42% p.a. thereafter.	The Authority noted that assets which are capitalized in the Second Control Period would require lesser repairs in initial year's vis-à-vis ageing assets that may require greater repair costs as contended by CHIAL. Therefore, the Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year for estimating R&M costs.
Housekeeping & Cleaning works	Expenditure on Housekeeping & Cleaning works are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an increase of 12% year on year from Pre Covid-Level (FY 20) based on revised minimum wage rate for employees employed in Housing keeping activities for FY21 after considering recoveries of maintenance charges from concessionaires.
Consumption of Stores & Spares	Expenditure on Consumption of Stores & Spares are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35% p.a. in FY24 and at 13.42% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Electricity & Water Charges	Expenditure on Electricity & Water Charges is expected to grow by 5 % in FY22 over the corresponding actual expenses in FY20, at 5% p.a. in FY23 and FY24 and at 7% p.a. y-o-y thereafter.	Considering no major change estimated in airport operations in the Second Control Period, the Authority proposed to estimate standard consumption of Pre Covid-Level (FY 20) for all the years in the Second Control Period but the Authority proposed to apply an inflationary increase of 5% on the rates year on year from Pre Covid-Level (FY 20).
Other Operating expenses	Other Operating expenses are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
<b>Administrative &amp; Other expenses</b>		
Postage & Telegram and others	Postage & Telegram, Printing & Stationery, Telephone Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.





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<b>O&amp;M Cost</b>	<b>Basis of projection as adopted by CHIAL</b>	<b>Basis of projection as proposed by Authority</b>
Travelling Expenses	Travelling Expenses are expected to decelerate by 21.25% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. thereafter.	The Authority proposed to consider 25% reduction in cost in FY 22 from the Pre Covid level (FY20) and from FY 23 to apply the inflationary increase of 5% year on year along with growth rate of 2% every year.
Consultancy Charges	Consultancy Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Insurance expenses	Insurance expenses are expected to increase at 104.75% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Facilitation Expenses	Facilitation Expenses are expected to decelerate by 26.5% in FY22 over the corresponding expense in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. y-o-y thereafter.	The Authority proposed to consider 25% reduction in cost in FY 22 from the Pre Covid level (FY20) and from FY 23 to apply the inflationary increase of 5% year on year along with growth rate of 2% every year.
Hire charges Others	Hire charges Others are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Hire charges Inline X-Ray Baggage Manpower	The annual hire charge of manpower for Inline X-ray Baggage is budgeted for a headcount of 32 at INR 110 Lakhs in FY21. These charges are expected to increase 10% y-o-y for during the 2 <sup>nd</sup> control period.	The Authority proposed to apply an increase of 12% year on year on actual expenditure incurred in FY 21 based on the annual increment as estimated in the agreement between CHIAL and AAICLAS.
Collection charges on PSF	Collection charges on PSF are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority noted that currently UDF is proposed to be collected instead of PSF. As collection charges on UDF are estimated separately this is not considered.
Subscription (Professional bodies)	Subscription expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Corporate Social Responsibility	Expenditures are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to consider the values of CSR as the same as proposed by CHIAL as these are below the 2% mandatory spend values.





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O&M Cost	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
UDF Collection charges	UDF Collection Charges are expected to be collected at Rs.5 per passenger from airlines.	The Authority proposed to consider the same rate i.e., Rs.5 per passenger submitted by CHIAL
Other Administrative Charges	Miscellaneous Office Expenses and Other Expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposed to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.

7.2.4 Considering the above changes, the Authority recalculated the efficient operating and maintenance expenditure estimate as follows:

**Table 77: Efficient total operating and maintenance expenditure recalculated by the Authority**

Operating Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	592.76	634.25	678.65	726.16	776.99	3,408.82
Operating Expenses						
Repair & Maintenance	756.79	809.76	866.45	927.10	992.00	4,352.10
Housekeeping & Cleaning works	239.28	267.99	300.15	336.17	376.51	1,520.10
Consumption of Stores & Spares	77.40	82.82	88.62	94.82	101.46	445.13
Electricity & Water Charges	779.61	818.59	859.52	902.50	947.62	4,307.85
Other operating expenses	27.05	28.94	30.97	33.14	35.46	155.56
<b>Total Operating Expense</b>	<b>1,880.13</b>	<b>2,008.11</b>	<b>2,145.71</b>	<b>2,293.73</b>	<b>2,453.05</b>	<b>10,780.73</b>
Administrative & Other Expenses						
Postage & Telegram, Telex	16.14	17.27	18.47	19.77	21.15	92.79
Travelling Expenses	16.62	17.78	19.03	20.36	21.79	95.58
Consultancy Charges	64.65	69.17	74.02	79.20	84.74	371.78
Insurance expenses	2.49	2.67	2.85	3.05	3.27	14.34
Facilitation Expenses	146.98	157.27	168.27	180.05	192.66	845.23
Hire charges Others	118.79	127.11	136.00	145.52	155.71	683.14
Hire charges Inline X-Ray Baggage Manpower	115.71	129.60	145.15	162.57	182.07	735.10
Collection charges on PSF	0.00	0.00	0.00	0.00	0.00	0.00
Subscription (Professional bodies)	32.98	35.29	37.76	40.40	43.23	189.64
Corporate Social Responsibility	18.06	19.91	22.37	25.61	29.32	115.27
UDF Collection charges	41.88	60.22	66.94	73.63	81.00	323.67
Other Administrative Charges	13.69	14.64	15.67	16.77	17.94	78.70
<b>Total Administrative &amp; Other Expenses</b>	<b>587.98</b>	<b>650.92</b>	<b>706.53</b>	<b>766.93</b>	<b>832.87</b>	<b>3,545.23</b>
<b>Total operating expense</b>	<b>3,060.87</b>	<b>3,293.29</b>	<b>3,530.90</b>	<b>3,786.82</b>	<b>4,062.91</b>	<b>17,734.78</b>



**OPERATING & MAINTENANCE EXPENSES FOR SECOND CONTROL PERIOD**

7.2.5 The Authority proposed to consider the below table of cost allocation ratios for operating expenses for the Second Control Period:

**Table 78: Expense allocation ratio proposed by Authority for Second Control Period**

Operation & Maintenance Cost	Aero % submitted by CHIAL	Aero % proposed by the Authority	Basis for Aero% proposed by the Authority
Manpower expenses	94.69%	87.50%	Based on employee costs segregated as Aero and Non-Aero and ratio considered on that basis
<b>Operating expenses</b>			
Repair & Maintenance	94.05%	90.50%	Based on Terminal Building Ratio
Housekeeping & Cleaning works	94.05%	100.00%	After netting off the recovery from concessionaires, considered 100%
Consumption of Stores & Spares	94.05%	90.50%	Based on Terminal Building Ratio
Electricity & Water Charges	94.05%	90.50%	Based on Terminal Building Ratio
Other Operating expenses	94.05%	90.50%	Based on Terminal Building Ratio
<b>Administrative &amp; Other expenses</b>			
Postage & Telegram and others	94.05%	87.50%	Based on Employee Ratio
Travelling Expenses	94.05%	87.50%	Based on Employee Ratio
Consultancy Charges	94.05%	90.50%	Based on Terminal Building Ratio
Insurance expenses	94.05%	90.50%	Based on Terminal Building Ratio
Facilitation Expenses	94.05%	90.50%	Based on Terminal Building Ratio
Hire charges Others	94.69%	87.50%	Based on Employee Ratio
Hire charges Inline X-Ray Baggage Manpower	94.69%	100.00%	Considered 100% as the charges are related to passenger service
Subscription (Professional bodies)	94.05%	90.50%	Based on Terminal Building Ratio
Corporate Social Responsibility	0.00%	67.00%	Based on profit ratio used in FY 20
UDF Collection Charges	100.00%	100.00%	Based on passengers hence wholly Aero
Other Administrative Charges	94.05%	90.50%	Based on Terminal Building Ratio
<i>Terminal Building Ratio as determined during First Control Period has been considered for allocation as there is no significant change in the Terminal Building space/ usage.</i>			

7.2.6 Considering the changes above and applying the allocation ratios as recommended by the Authority tabulated in Table 78 above, the Authority had recalculated the operating and maintenance expenditure for aeronautical services as follows:

**Table 79: Aeronautical operating and maintenance expenditure proposed by the Authority computed by applying allocation ratios given in Table 78**

O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	518.67	554.97	593.82	635.39	679.87	<b>2,982.71</b>
<b>Operating expenses</b>						
Repair & Maintenance	684.89	732.84	784.14	839.03	897.76	<b>3,938.65</b>
Housekeeping & Cleaning works	239.28	267.99	300.15	336.17	376.51	<b>1,520.10</b>
Consumption of Stores & Spares	70.05	74.95	80.20	85.81	91.82	<b>402.84</b>





**OPERATING & MAINTENANCE EXPENSES FOR SECOND CONTROL PERIOD**

<b>O&amp;M Expenses (Rs. in lakhs)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>Total</b>
Electricity & Water Charges	779.61	818.59	859.52	902.50	947.62	<b>4,307.85</b>
Other Operating expenses	24.48	26.19	28.03	29.99	32.09	<b>140.78</b>
<b>Total Operating Expense</b>	<b>1,798.31</b>	<b>1,920.57</b>	<b>2,052.04</b>	<b>2,193.50</b>	<b>2,345.80</b>	<b>10,310.21</b>
<b>Administrative &amp; Other Expenses</b>						
Postage & Telegram, Telex	14.12	15.11	16.16	17.30	18.51	<b>81.19</b>
Travelling Expenses	14.54	15.56	16.65	17.82	19.06	<b>83.63</b>
Consultancy Charges	58.51	62.60	66.99	71.67	76.69	<b>336.46</b>
Insurance expenses	2.26	2.41	2.58	2.76	2.96	<b>12.98</b>
Facilitation Expenses	133.01	142.33	152.29	162.95	174.36	<b>764.93</b>
Hire charges Others	103.94	111.22	119.00	127.33	136.25	<b>597.75</b>
Hire charges Inline X-Ray Baggage Manpower	115.71	129.60	145.15	162.57	182.07	<b>735.10</b>
Collection charges on PSF	-	-	-	-	-	-
Subscription (Professional bodies)	29.84	31.93	34.17	36.56	39.12	<b>171.63</b>
Corporate Social Responsibility	12.10	13.34	14.99	17.16	19.64	<b>77.23</b>
UDF Collection charges	41.88	60.22	66.94	73.63	81.00	<b>323.67</b>
Other Administrative Charges	12.37	13.23	14.16	15.15	16.21	<b>71.11</b>
<b>Total Administrative &amp; Other Expenses</b>	<b>538.28</b>	<b>597.55</b>	<b>649.08</b>	<b>704.90</b>	<b>765.86</b>	<b>3,255.67</b>
<b>Total O&amp;M expense</b>	<b>2,855.26</b>	<b>3,073.09</b>	<b>3,294.93</b>	<b>3,533.78</b>	<b>3,791.53</b>	<b>16,548.60</b>

**7.3 Stakeholders' comments on Operating expenses for Second Control Period**

7.3.1 During the stakeholder consultation process, the Authority has received comments / views from CHIAL & FIA in response to the proposals of Authority in Consultation Paper No.09/2021-22 with respect to determination of Operating expenses for the Second Control Period. The comments raised by CHIAL & FIA has been same as in First Control Period regarding allocating employee cost based on employee numbers and independent study to be conducted on Operating expenses respectively. CHIAL has submitted further comments as stated below:

CHIAL's Comments:

7.3.2 CHIAL requested the Authority to consider the Cargo Expenses. However, the Cargo Revenue proposed by the Authority is Gross Cargo revenue and it did not consider Cargo expenses. Thus, the Authority may please consider Cargo Expenses of Rs.594.30 lakhs excluding depreciation as part of operating expenses as detailed below.

**Table 80: Aeronautical Operating Expense related to cargo operations submitted by CHIAL**

<b>O&amp;M Expenses (Rs. in lakhs)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>Total</b>
Manpower expenses	74.64	78.37	87.94	98.17	109.13	448.25
Operating expenses	17.00	17.85	21.10	22.58	24.16	102.69
Administrative & Other expenses	9.10	7.08	7.02	8.89	11.27	43.36
<b>Total</b>	<b>100.74</b>	<b>103.30</b>	<b>116.06</b>	<b>129.64</b>	<b>144.56</b>	<b>594.30</b>

FIA's Comments:





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7.3.3 FIA requested the Authority to consider same comments on Operating expenses as raised in the First Control period true up of Operating expenses (refer para 2.9.10).

### 7.4 CHIAL's response to Stakeholders' comments on Operating expenses for Second Control Period

7.4.1 Subsequent to the stakeholder comments received by the Authority as part of stakeholder consultation process, CHIAL's response to FIA's comments were presented in para 2.9.11 under true of operating expenses for the First Control Period.

### 7.5 Authority's examination after reviewing stakeholders' comments on Operating expenses for Second Control Period

7.5.1 The Authority has examined the comments made by CHIAL and FIA regarding Operating Expenses and CHIAL's response to FIA's comments regarding the Second Control Period. The Authority's analysis and decisions are set out below:

#### Allocation of Payroll expense to be considered based on no. of employee's approach

7.5.2 The Authority noted that the same comment was presented by CHIAL in para 2.9.9 and has been addressed by the Authority in para 2.9.14 of true up of Operating expense.

#### CSR Expenditure & Independent study for allocation of efficient operating expenditure

7.5.3 The Authority noted that the same comment was presented by FIA in para 2.9.10 and has been addressed by the Authority in para 2.9.15 of true up of Operating expense.

#### Operating Expenses related to Cargo

7.5.4 The Authority notes that CHIAL had submitted the operating expenses related to cargo amounting to Rs.594.30 Lakhs. The Authority, after analysing the cargo expenses from CHIAL had sought further details such as contracts for manpower, repairs & maintenance, insurance expense etc. in respect of estimates submitted. CHIAL responded that the R&M and insurance expense has been estimated based on Industry benchmark and contracts for manpower/ other operating expenses are in the process of execution.

7.5.5 Based on CHIAL's response, Authority had evaluated the estimate for projection of Operating Expenses under different heads, as below:

**Table 81: Basis of Projections adopted by the Authority for Operating expenses of Cargo Operations**

Heads	Basis of projection adopted by the Authority
Manpower expenses	The Authority considers 50% of the Manpower expenses as submitted by CHIAL for FY22 as the asset will be capitalised on 1.10.2021 and cargo operations will start thereafter and apply an increase of 12% year on year from FY23 based on revised minimum wage rate for manpower outsourced.
Repair & Maintenance	The Authority notes that Cargo assets which are capitalized in the Second control period would require lesser repairs in initial years. Therefore, the Authority considers CHIAL estimate for Repairs & Maintenance from FY24 and apply an inflationary increase of 4.9% year on year along with growth rate of 2% every year.
Housekeeping & Cleaning works	The Authority considers 50% of the estimate submitted by CHIAL for FY22 as the asset will be capitalised on 1.10.2021 and cargo operations will start thereafter and apply an increase of 12% year on year from FY23 based on revised minimum wage rate for manpower outsourced for House Keeping & Cleaning works.





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<b>Heads</b>	<b>Basis of projection adopted by the Authority</b>
Electricity & Water Charges	The Authority considers 50% of the estimate submitted by CHIAL for FY22 as the asset will be capitalised on 1.10.2021 and cargo operations will start thereafter and apply an inflationary increase of 4.9% year on year from FY23.
Postage & Telegram, Insurance, and other miscellaneous expenses	The Authority considers 50% of the estimate submitted by CHIAL for FY22 as the asset will be capitalised on 1.10.2021 and cargo operations will start thereafter and apply an inflationary increase of 4.9% year on year from FY23 along with growth rate of 2% every year.

7.5.6 The Authority after considering the above basis (Table 81) for estimating operating expenses related to cargo operations decides to include the below cargo operating expenses for the Second Control Period.

**Table 82: Operating Expenses related to Cargo Operation considered for the Second Control Period by the Authority**

<b>Cargo Operation Expenses (Rs. in lakhs)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>Total</b>
Manpower expenses	37.32	83.60	93.63	104.86	117.45	<b>436.86</b>
Repair & Maintenance	-	-	2.00	2.14	2.29	<b>6.42</b>
House keeping & Cleaning works	2.50	5.60	6.27	7.02	7.87	<b>29.26</b>
Electricity & Water Charges	6.00	12.59	13.20	13.85	14.53	<b>60.18</b>
Postage & Telegram, Telephone, Printing & Stat.	0.25	0.27	0.29	0.31	0.33	<b>1.43</b>
Insurance expenses	2.50	5.35	5.71	6.11	6.53	<b>26.20</b>
Miscellaneous Office Expenses	1.92	4.11	4.40	4.70	5.03	<b>20.17</b>
<b>Total</b>	<b>50.49</b>	<b>111.51</b>	<b>125.50</b>	<b>138.99</b>	<b>154.01</b>	<b>580.52</b>

7.5.7 The Authority decides to true up the Operating expense related to cargo based on the actual assets created for Cargo, its relevant depreciation and also the related actual costs of operations, at the end of the control period.

7.5.8 The Authority notes that Operating Expenses was estimated based on inflationary increase on 5% (CPI index) in Consultation Paper No.09/2021-22 for Second Control Period. The Authority has decided to consider the adjustment of inflationary increase at 4.9% (WPI of all commodities as per RBI Survey of Professional Forecasters on Macroeconomic Indicators – Round 69) as detailed in Para 10.4.2 wherever estimated in Table 76 for operating expenses of the second control period.

7.5.9 Based on the above Paras 7.5.6 and 7.5.8, the revised Operating Expenses for the Second Control Period decided to be considered by the Authority is set out in the table below:

**Table 83: Aeronautical operating and maintenance expenditure considered for the Second Control Period by the Authority**

<b>O&amp;M Expenses (Rs. in lakhs)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>Total</b>
Manpower expenses	517.94	553.68	591.89	632.73	676.39	<b>2,972.63</b>
<b>Operating expenses</b>						
Repair & Maintenance	684.25	731.47	781.94	835.89	893.57	<b>3,927.12</b>
Housekeeping & Cleaning works	239.28	267.99	300.15	336.17	376.51	<b>1,520.10</b>
Consumption of Stores & Spares	69.98	74.81	79.98	85.49	91.39	<b>401.66</b>
Electricity & Water Charges	778.87	817.03	857.07	899.06	943.12	<b>4,295.15</b>
Other Operating expenses	24.46	26.14	27.95	29.88	31.94	<b>140.37</b>
<b>Total Operating Expense</b>	<b>1,796.84</b>	<b>1,917.45</b>	<b>2,047.08</b>	<b>2,186.50</b>	<b>2,336.53</b>	<b>10,284.41</b>
<b>Administrative &amp; Other Expenses</b>						





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<b>O&amp;M Expenses (Rs. in lakhs)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>Total</b>
Postage & Telegram, Telex	14.10	15.07	16.11	17.22	18.41	<b>80.92</b>
Travelling Expenses	14.54	15.54	16.61	17.76	18.98	<b>83.43</b>
Consultancy Charges	58.45	62.49	66.80	71.41	76.33	<b>335.48</b>
Insurance expenses	2.25	2.41	2.58	2.75	2.94	<b>12.94</b>
Facilitation Expenses	133.01	142.19	152.00	162.49	173.70	<b>763.41</b>
Hire charges Others	103.80	110.96	118.62	126.80	135.55	<b>595.72</b>
Hire charges Inline X-Ray Baggage Manpower	115.71	129.60	145.15	162.57	182.07	<b>735.10</b>
Collection charges on PSF	-	-	-	-	-	-
Subscription (Professional bodies)	29.82	31.87	34.07	36.42	38.94	<b>171.13</b>
Corporate Social Responsibility	12.10	13.34	14.99	17.16	19.64	<b>77.23</b>
UDF Collection charges	41.88	60.22	66.94	73.63	81.00	<b>323.67</b>
Other Administrative Charges	12.35	13.21	14.12	15.09	16.13	<b>70.90</b>
<b>Total Administrative &amp; Other Expenses</b>	<b>538.02</b>	<b>596.89</b>	<b>647.98</b>	<b>703.31</b>	<b>763.71</b>	<b>3,249.91</b>
<b>Operating Expense related to Cargo Operations</b>	<b>50.49</b>	<b>111.51</b>	<b>125.50</b>	<b>138.99</b>	<b>154.01</b>	<b>580.52</b>
<b>Total O&amp;M expense</b>	<b>2,903.30</b>	<b>3,179.54</b>	<b>3,412.46</b>	<b>3,661.53</b>	<b>3,930.64</b>	<b>17,087.46</b>

**7.6 Authority's decisions on Operating expenses for Second Control Period**

Based on the material before it and its analysis, the Authority decides the following:

- 7.6.1 To reduce Common Area Maintenance and light and water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 7.6.2 To consider operating and maintenance expenditure as detailed in Table 83 (Including Cargo Operating Expenses and adjusted Inflation rate) above for determination of tariff for the Second Control Period.
- 7.6.3 To consider the cost segregation ratios determined for the Second Control Period as listed in Table 78.
- 7.6.4 To true up operating and maintenance expenditure (including operating expenses for Cargo Operations) for the current control period, at the time of determination of tariff for the next control period, after evaluation of the reasonableness of the costs incurred.





**CHAPTER 8. NON-AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD****8.1 CHIAL's submissions relating to Non-Aeronautical Revenue (NAR)**

8.1.1 CHIAL had submitted the forecasts of various components of non-aeronautical revenue streams as well as the assumptions underlying the forecast. The assumptions made by CHIAL for projecting each source of non-aeronautical revenue are as under:

**Table 84: Basis of projection for NAR as adopted by CHIAL**

Particulars	Assumption for growth (y-o-y basis)	Basis
Admission fees/Commercial Passes	Revenue from admission fees/commercial passes is expected to decelerate by 10% from the pre Covid-19 level i.e., FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter.	Based on expected growth of passenger traffic (PAX)
Car Parking	Revenue from car parking has been estimated based on terms of contracts awarded till date. The existing terms of the contract allow for PAX based escalation of 5-15%. Car parking revenue is expected to decelerate by 20% from the pre Covid-19 level i.e., FY20 in FY 22 and grow at 8% y-o-y in FY23 and FY24 and at 11% y-o-y thereafter.	Based on terms of contracts awarded till date.
Rent & Services	Rental revenue other than that from aeronautical rental is expected to decelerate by 20% from the pre Covid-19 level i.e., FY20 in FY22, remain at the same level in FY23 and grow at 7.5 % p.a. y-o-y thereafter. In an attempt to rationalize the land rental rates at par with the other airports, no escalation is proposed in rent and services for FY23	-
Trading concession	Revenue from Trading Concessions including restaurant, T.R Stalls, Hoarding & Display, etc. is expected to decelerate by 25% from the pre Covid-19 level i.e., FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter.	Based on expected growth of passenger traffic (PAX)
In Flight Catering Charges	Revenue from in-flight catering charges is expected to decelerate by 10% from the pre Covid-19 level i.e., FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter.	Based on expected growth of passenger traffic (PAX)

8.1.2 Based on the above bases, CHIAL submitted the following Non-Aeronautical Revenue for the Second Control Period:

**Table 85: CHIAL's submission of non-aeronautical revenues for Second Control Period**

Particulars (Rs. In Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Admission fees/Commercial Passes	4.37	4.86	5.39	5.87	6.40	26.90
Car parking	219.78	237.37	256.36	281.99	310.19	1,305.69
Rent & Services	372.80	372.80	400.76	430.82	463.13	2,040.32
Trading concession	1,742.23	1,933.87	2,146.60	2,339.79	2,550.37	10,712.86
In Flight -Catering Charges	6.71	7.44	8.26	9.00	9.82	41.23
<b>Total Non-Aeronautical Revenue</b>	<b>2,345.89</b>	<b>2,556.34</b>	<b>2,817.37</b>	<b>3,067.48</b>	<b>3,339.91</b>	<b>14,126.99</b>



## 8.2 Authority's analysis relating to Non-Aeronautical Revenue for Second Control Period at the Consultation stage

- 8.2.1 The Authority had carefully reviewed the various assumptions relating to Non-Aeronautical revenues submitted by CHIAL.
- 8.2.2 The Authority also, as detailed in Para 2.9.4, decided to consider Common Area Maintenance and Light & water charges recovered from concessionaires as reduction from Operating Expenditure and not as a separate line item of Non-Aeronautical Income.
- 8.2.3 The Authority noted that CHIAL is estimated to have cash surplus and there could be interest income that may accrue to CHIAL during the Second Control Period. However, these are dependent on traffic and various other factors. Interest Income has been computed by CHIAL in its Financial model but has not been added as part of Non-Aeronautical Revenues. The Authority, while noting that interest income earned will be part of Non-Aeronautical Income, did not propose to forecast the estimated interest income for the Second Control Period. This will be trued up based on actuals at the commencement of the third control period.
- 8.2.4 As detailed in Para 2.3.8, the Authority also proposed to consider revenues in the form of rentals from Aeronautical Service providers as Aeronautical revenues.
- 8.2.5 The Authority was cognizant of the fact that Airports are impacted currently due to the COVID-19 pandemic situation and Non-Aeronautical Revenue estimates have to factor the same.
- 8.2.6 In Order to assess actual position, the Authority had sought details of revenues for FY 2020-21 and evaluated the revenues per passenger for the revenues impacted due to traffic for the years in the First Control Period.
- 8.2.7 Analysis of Revenue per passenger for the control period was as detailed below:

**Table 86: Non-Aeronautical Revenue per passenger traffic of First Control Period**

Particular (Rs. per Pax)	FY 17	FY 18	FY 19	FY 20	FY 21
<i>Passenger Traffic in Lakhs</i>	18.28	21.40	21.00	24.47	13.84
Admission fees/Commercial Passes	1.44	0.77	0.49	0.20	0.65
Car parking	14.59	21.09	22.34	11.23	11.93
Trading concession	40.93	51.14	57.24	85.11	83.99
In Flight Catering Charges	-	-	-	0.3	1.14

- 8.2.8 The Authority noted from the above table that while there is a fall in revenues in absolute values, the revenue per passenger had not reduced even in FY 2020-21 except for revenue from trading concession. Considering the uncertainties prevailing, the Authority proposed to estimate Non-Aeronautical Revenues on the basis given below.
- 8.2.9 Summary of head wise comparison of the basis of projection adopted by CHIAL and to be proposed by the Authority is as given below:





**NON-AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD**

**Table 87: Basis of projection for NAR as adopted by CHIAL vis a vis proposed by the Authority**

<b>Non-Aeronautical Revenue Heads</b>	<b>Basis of projection as adopted by CHIAL</b>	<b>Basis of projection as proposed by Authority</b>
Admission fees/Commercial Passes	Revenue from admission fees/commercial passes is expected to decelerate by 10% from the pre Covid-19 level i.e. FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter. The growth rate of revenue from admission fees/commercial passes is expected to be in line with expected growth of passenger traffic (PAX)	Considered as per CHIAL's submissions
Car parking	Revenue from car parking has been estimated based on terms of contracts awarded till date. The existing terms of the contract allow for PAX based escalation of 5-15%. Car parking revenue is expected to decelerate by 20% from the pre Covid-19 level i.e. FY20 in FY 22 and grow at 8% y-o-y in FY23 and FY24 and at 11% y-o-y thereafter.	The Authority, for FY22 proposed to consider growth based on passengers from Pre Covid Level (FY20) and from FY23 onwards apply growth of total passengers along with inflationary increase of 5% year on year basis.
Rent & Services	Rental revenue other than that from aeronautical rental is expected to decelerate by 20% from the pre Covid-19 level i.e. FY20 in FY22, remain at the same level in FY23 and grow at 7.5 % p.a. y-o-y thereafter. In an attempt to rationalize the land rental rates at par with the other airports, no escalation is proposed in rent & services for FY23	The Authority proposed the rent revenue to be the same in FY 22 of Pre Covid level i.e. FY 20 and grow at inflationary increase of 5% year on year from FY 23.
Trading concession	Revenue from Trading Concessions including restaurant, T.R Stalls, Hoarding & Display, etc. is expected to decelerate by 25% from the pre Covid-19 level i.e. FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter. The growth rate of revenue from trading concessions is expected to be in line with expected growth of passenger traffic (PAX).	The Authority proposed to consider growth for FY 22 based on total passengers from Pre Covid Level (FY20) and from FY23 onwards apply growth of total passengers along with inflationary increase of 5% year on year basis.
In Flight Catering Charges	Revenue from in-flight catering charges is expected to decelerate by 10% from the pre Covid-19 level i.e. FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter. The growth rate of revenue from in-flight catering charges is expected to be in line with expected growth of passenger traffic (PAX)	The Authority for FY 22 proposed to consider growth based on total passengers from Pre Covid Level (FY20) and from FY23 onwards apply growth of total passengers along with inflationary increase of 5% year on year basis.
Interest Income on Term Deposits	Not considered in CHIAL submission	The Authority, while noting that interest income earned will be part of Non-Aeronautical Income, did not propose to forecast the estimated interest income for the Second Control Period. This will be trued up based on actuals at the commencement of the third control period.
Miscellaneous Income	Not considered in CHIAL submission	The Authority proposed not to estimate Miscellaneous Income, the same will be trued up based on actuals as Non-Aero Income





## NON-AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD

8.2.10 Based on the above, the revised non-aeronautical revenues as proposed by the Authority was as follows:

**Table 88: Non-aeronautical revenues as proposed for the Second Control Period by the Authority**

Particulars (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Admission fees/Commercial Passes	4.37	4.86	5.39	5.87	6.40	26.90
Car parking	189.58	284.88	325.92	373.70	412.75	1,586.83
Rent & Services	177.70	186.59	195.92	205.71	216.00	981.92
Trading concession	1,437.36	2,159.93	2,471.04	2,833.32	3,129.41	12,031.07
In Flight-Catering Charges	5.14	7.73	8.84	10.13	11.19	43.03
<b>Total non-aeronautical revenue</b>	<b>1,814.16</b>	<b>2,643.98</b>	<b>3,007.10</b>	<b>3,428.74</b>	<b>3,775.76</b>	<b>14,669.75</b>

### 8.3 Stakeholders' comments on Non-Aeronautical Revenues for Second Control Period

8.3.1 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of Non-Aeronautical Revenue for the Second Control Period. The comments by stakeholders are presented below:

FIA's Comments:

- 8.3.2 FIA submits to the Authority to conduct an independent study on the Non-Aeronautical Revenues, in accordance with AERA Act.
- 8.3.3 Without prejudice to the above, FIA submits that increase in non-aeronautical revenue is a function of passenger traffic growth, inflationary increase and real increase/escalations in contract rates. AERA to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires and
- 8.3.4 'Royalty' is in the nature of market access fee, charged by the services providers under various headings. These charges are passed on to the airlines by the service providers. The rates of royalty at some of the airports are as high as forty six (46) %. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. In view of the above, we urge AERA to abolish such royalty which may be included in any of the cost items - aeronautical and non -aeronautical.

### 8.4 CHIAL's response to Stakeholders' comments on Non-Aeronautical Revenues for Second Control Period

- 8.4.1 Subsequent to the stakeholder comments received by the Authority as part of stakeholder consultation process. CHIAL's response to FIA's comments regarding Royalty is as below:  
The royalty/revenue share is charged from the independent service providers of ground handling by CHIAL which is presently 3% in case of scheduled airlines and 15% in case of non -scheduled airlines and 0% in case of RCS.

### 8.5 Authority's examination after reviewing stakeholders' comments on Non-Aeronautical Revenues for Second Control Period

- 8.5.1 The Authority has considered the comments of FIA regarding independent study. With respect to independent study on non-aeronautical revenues, Authority's analysis is as detailed in para 2.10.14.



## NON-AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD

- 8.5.2 The Authority has considered the comments of FIA regarding forecasting of non-aeronautical revenues. The Authority has applied appropriate basis for extrapolation based on nature of non-aeronautical revenue based on appropriate levers - passenger traffic, inflation and underlying agreements as applicable.
- 8.5.3 The Authority has considered the comments of FIA regarding Royalty. The revenue share charged by CHIAL till FY 21 was 21% of Revenue share. The Authority notes that for the Second Control Period, revenue from Ground handlers is charged based on Minimum Annual Guarantee (MAG) or revenue share (reduced as responded by CHIAL in para 8.4.1 above) whichever is higher.
- 8.5.4 The Authority notes that the Non aeronautical revenue was estimated based on inflationary increase on 5% (CPI index) in Consultation Paper No.09/2021-22 for Second Control Period. The Authority has decided to consider the adjustment of inflationary increase at 4.9% (WPI of all commodities as per RBI Survey of Professional Forecasters on Macroeconomic Indicators – Round 69) as detailed in Para 10.4.2. by replacing 5% wherever estimated in Table 87 for Non-aeronautical revenue for the second control period.
- 8.5.5 Based on the above para, the revised Non-Aeronautical revenue for the Second Control Period considered by the Authority is set out in the table below:

**Table 89: Non-Aeronautical revenue considered for the Second Control Period by the Authority**

Particulars (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Admission fees/Commercial Passes	4.37	4.86	5.39	5.87	6.40	26.90
Car parking	189.58	284.61	325.30	372.63	411.18	1,583.31
Rent & Services	177.70	186.41	195.54	205.13	215.18	979.96
Trading concession	1,437.36	2,157.87	2,466.33	2,825.23	3,117.51	12,004.31
In Flight-Catering Charges	5.14	7.72	8.82	10.10	11.15	42.94
<b>Total non-aeronautical revenue</b>	<b>1,814.16</b>	<b>2,641.47</b>	<b>3,001.38</b>	<b>3,418.97</b>	<b>3,761.42</b>	<b>14,637.40</b>

### 8.6 Authority's decisions on Non-Aeronautical Revenues for Second Control Period

Based on the material before it and its analysis, the Authority decides the following:

- 8.6.1 To not consider Interest Income and Miscellaneous Income at the time of estimation for the current control period, but true up the same at the time of determination of tariff for the next control period.
- 8.6.2 To adjust Common Area Maintenance and light and water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 8.6.3 To consider non-aeronautical revenue as set out in Table 89 above for the Second Control Period.
- 8.6.4 To consider Rentals from Aeronautical service providers as Aeronautical Revenues.
- 8.6.5 To true up non-aeronautical revenues for the current control period, at the time of determination of tariff for the next control period.





**CHAPTER 9. TAXATION FOR SECOND CONTROL PERIOD****9.1 CHIAL's submissions relating to taxation**

- 9.1.1 CHIAL had submitted corporate tax estimate related to aeronautical services for the purpose of determination of aggregate revenue requirement for the Second Control Period.
- 9.1.2 CHIAL had computed tax for the company as a whole and actual tax payable was allocated in the ratio of Aeronautical and Non-Aeronautical PBT as detailed below:

**Table 90: CHIAL's submission of income tax reimbursement for effective tax rate for the Second Control Period**

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Book PBT	2,783.99	4,303.16	4,790.80	4,791.62	4,942.42	21,611.98
Add: Book depreciation	2,527.44	2,731.82	2,951.73	3,472.01	3,872.01	15,555.02
Less: Tax depreciation	-	-3,638.79	-3,876.13	-4,800.81	-5,370.34	-21,089.87
Tax PBT	1,907.63	3,396.19	3,866.40	3,462.82	3,444.10	16,077.14
Business Loss:	-	-	-	-	-	-
Tax PBT post Business Loss set-off	1,907.63	3,396.19	3,866.40	3,462.82	3,444.10	16,077.14
Usage of Unabsorbed depreciation	1,907.63	96.42	-	-	-	2,004.05
Taxable income @ 29.12%	-	3,299.77	3,866.40	3,462.82	3,444.10	14,073.09
<b>Income Tax</b>	-	<b>960.89</b>	<b>1,125.90</b>	<b>1,008.37</b>	<b>1,002.92</b>	<b>4,098.08</b>
<i>Effective tax rate on PBT</i>	<i>0.00%</i>	<i>22.33%</i>	<i>23.50%</i>	<i>21.04%</i>	<i>20.29%</i>	

- 9.1.3 CHIAL estimated the Aeronautical Tax as a proportion of total tax considering the Aero PBT ratio as below.

**Table 91: CHIAL's submission of income tax reimbursement to be included as part of the aggregate revenue requirement for the Second Control Period**

Particulars (Rs. In lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenues	6,712.05	8,597.48	9,560.93	10,389.43	11,293.12	46,553.02
Aero Opex	-3,265.02	-3,579.59	-3,976.89	-4,475.76	-5,036.67	-20,333.93
Aero Depreciation	-2,233.47	-2,478.91	-2,684.07	-3,116.89	-3,506.40	-14,019.74
<b>Aero PBT</b>	<b>1,213.56</b>	<b>2,538.98</b>	<b>2,899.98</b>	<b>2,796.78</b>	<b>2,750.05</b>	<b>12,199.35</b>
Tax rate	<i>0.00%</i>	<i>22.33%</i>	<i>23.50%</i>	<i>21.04%</i>	<i>20.29%</i>	
<b>Aero Tax</b>	-	<b>566.95</b>	<b>681.53</b>	<b>588.57</b>	<b>558.04</b>	<b>2,395.09</b>

**9.2 Authority's analysis relating to taxation for Second Control Period at the Consultation stage**

- 9.2.1 The Authority noted CHIAL's submission for income tax and noted that CHIAL had erroneously not considered cargo revenue, rent from land refueling station and rent from new facilities as part of aeronautical revenue for calculation of effective tax rate.
- 9.2.2 The Authority proposed to consider Aeronautical profit before tax and accordingly estimate the tax liability considering effective tax rate, Minimum Alternate Tax requirement and the benefit from





## TAXATION FOR SECOND CONTROL PERIOD

unabsorbed depreciation and Losses to such profit to arrive at aeronautical taxation that can be considered for tariff determination of the Second Control Period.

- 9.2.3 The Authority observed that CHIAL has taken the tax rate of 29.12% for Second Control Period i.e. from FY 22 to FY 26. This percentage has been calculated on basis of 25% basic tax, plus 12% surcharge plus 4% cess.
- 9.2.4 The Authority proposed to consider Aeronautical revenue in accordance with Table 101 for computation of tax expense.
- 9.2.5 The Authority proposed to consider the Operating expenses in accordance with Table 79 for computation of tax expense.
- 9.2.6 The Authority proposed to consider the capital expenditures for computation of depreciation in accordance with Table 55.
- 9.2.7 After considering all the above observations, the Authority proposed the following tables of tax expense as per Normal Provisions and MAT provisions of Income Tax Act during the Second Control Period.

**Table 92: Income tax as per Normal Provisions of Income Tax Act calculated by the Authority**

Particulars (Rs. in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical revenue	A	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	46,338.63
Aeronautical expenses	B	2,855.26	3,073.09	3,294.93	3,533.78	3,791.53	16,548.60
Depreciation as per income tax – aeronautical	C	3,674.37	3,629.63	3,360.98	3,615.33	3,446.05	17,726.37
<b>PBT</b>	<b>D=A-B-C</b>	<b>-599.01</b>	<b>2,192.02</b>	<b>3,098.10</b>	<b>3,447.78</b>	<b>3,924.76</b>	<b>12,063.66</b>
Set-off of prior period tax losses	E	-	-599.01	-	-	-	-599.01
<b>PBT after set-off of prior period tax losses</b>	<b>F=D-E</b>	<b>-599.01</b>	<b>1,593.02</b>	<b>3,098.10</b>	<b>3,447.78</b>	<b>3,924.76</b>	<b>11,464.65</b>
Tax @29.12%	G	-	463.89	902.17	1,003.99	1,142.89	3,512.94
<b>PAT</b>	<b>H=G*F</b>	<b>-599.01</b>	<b>1,129.13</b>	<b>2,195.93</b>	<b>2,443.79</b>	<b>2,781.87</b>	<b>7,951.72</b>

**Table 93: Income tax as per MAT Provisions of Income Tax Act calculated by the Authority**

Particulars (Rs. in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical revenue	A	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	46,338.63
Aeronautical expenses	B	2,855.26	3,073.09	3,294.93	3,533.78	3,791.53	16,548.60
Depreciation as per books – Aeronautical	C	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	15,460.45
<b>PBT</b>	<b>D=A-B-C</b>	<b>291.28</b>	<b>2,861.69</b>	<b>3,393.23</b>	<b>3,681.62</b>	<b>4,101.76</b>	<b>14,329.58</b>
<b>MAT @ 17.4720%</b>	<b>E</b>	<b>50.89</b>	<b>499.99</b>	<b>592.86</b>	<b>643.25</b>	<b>716.66</b>	<b>2,503.66</b>
<b>PAT</b>	<b>F=D-E</b>	<b>240.39</b>	<b>2,361.70</b>	<b>2,800.36</b>	<b>3,038.37</b>	<b>3,385.10</b>	<b>11,825.91</b>





**Table 94: Tax Reimbursable proposed for the Second Control Period by the Authority**

Particulars (Rs. in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
<b>Aero Tax to be paid (higher of MAT or Normal Income Tax)</b>							
Normal Tax	A	-	463.89	902.17	1,003.99	1,142.89	3,512.94
MAT	B	50.89	499.99	592.86	643.25	716.66	2,503.66
Current Tax	C=A or B whichever is higher	50.89	499.99	902.17	1,003.99	1,142.89	3,599.94
Aero MAT credit utilised	D	-	-	-309.30	-360.74	-424.48	-1,094.53
<b>Tax Payable</b>	<b>E=C-D</b>	<b>50.89</b>	<b>499.99</b>	<b>592.86</b>	<b>643.25</b>	<b>718.41</b>	<b>2,505.41</b>
<b>MAT credit Entitlement (After utilisation)</b>	<b>F</b>	<b>1,094.53</b>	<b>1,094.53</b>	<b>785.22</b>	<b>424.48</b>	<b>-</b>	<b>3,398.76</b>

### 9.3 Stakeholders' comments on Taxation for Second Control Period

- 9.3.1 During the stakeholder consultation process, the Authority has not received any comments / views from stakeholders in response to the proposals of Authority in Consultation Paper No.09/2021-22 with respect to determination of Taxation for the Second Control Period.

### 9.4 Authority's examination after reviewing stakeholders' comments on Taxation for Second Control Period

- 9.4.1 The Authority noted that there are no comments received from stakeholders in respect to determination of Taxation for the Second Control Period.
- 9.4.2 The Authority has analysed the impact of depreciation and operating expenses related to cargo assets on tax as discussed in Table 67 & Table 82 respectively and revised adjusted inflation rate in Operating expense and Revenue as discussed in Table 83 & Table 102 respectively. Tax computation has been updated considering the changes to depreciation and Operating expenses as follows

**Table 95: Tax Reimbursable considered for the Second Control Period by the Authority after taking into account the impact of Cargo Operations and revised inflation rates**

Particulars (Rs. In lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Revised Tax reimbursable calculated by the Authority	39.92	476.23	567.16	615.76	687.17	<b>2,386.24</b>

### 9.5 Authority's decisions on Taxation for Second Control Period

Based on the material before it and its analysis, the Authority has decided:

- 9.5.1 To consider aeronautical taxes for the Second Control Period by applying effective tax rate and MAT on the aeronautical profit before tax as per Table 95.
- 9.5.2 To true up the forecast figures of tax based on actuals, at the end of the control period, in computation of tariff for the third control period.



**CHAPTER 10. INFLATION FOR SECOND CONTROL PERIOD****10.1 CHIAL's submissions relating to inflation**

10.1.1 CHIAL submitted the following on CPI inflation rates for the Second Control Period:

**Table 96: CHIAL's submission of inflation rate**

Particular	FY22	FY23	FY24	FY25	FY26
CPI Inflation	5%	5%	7%	7%	7%

10.1.2 CHIAL has considered CPI inflation of 5% p.a. for FY 22 & FY 23 and forecasted 7% CPI inflation for FY 24 and thereafter for the Second Control Period.

**10.2 Authority's analysis on Inflation for Second Control Period at the Consultation stage**

10.2.1 The Authority reviewed CHIAL's submissions regarding CPI inflation as stated in Para 10.1.2 above. The Authority noted that CPI index has been used by CHIAL in forecasting increase in revenues / costs where relevant.

10.2.2 The Authority proposed to consider mean of CPI inflation on Average of all quarters of FY 2021-22 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69" for comparison. An extract of the results of RBI's annual forecast for 2021-22 is reproduced below:

**Table 97: RBI's annual inflation forecast for 2021-22**

Quarter forecasts for 2021-22	Mean	Median	Max	Min
Q1	5.0	5.0	6.0	4.2
Q2	4.9	4.9	6.0	4.2
Q3	4.4	4.3	5.5	3.4
Q4	4.8	5.0	5.8	4.0

**10.3 Stakeholders' comments on Inflation for Second Control Period**

10.3.1 During the stakeholder consultation process, the Authority has not received any comments/ views from stakeholders in response to the proposals of Authority in Consultation Paper No.09/2021-22 with respect to determination of Inflation for the Second Control Period.

**10.4 Authority's examination after reviewing stakeholders' comments on Inflation for Second Control Period**

10.4.1 The Authority notes that no comments were received from stakeholders on inflation for the second Control Period.

10.4.2 Inflation estimates in Consultation Paper No.09/2021-22 for Second Control Period considered CPI inflation at 5%. In order to align the tariff determination across all airports, the Authority decides to consider the adjustment of inflation at 4.9% being the mean of WPI index for all commodities for FY22 based on Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69 for the Second Control Period provided as below:





**Table 98: RBI Survey of Professional Forecasters on Macroeconomic Indicators – Round 69 for the Second Control Period**

Annex 2: Annual Forecasts for FY 2021-22				
Key Macroeconomic Indicators	Annual Forecasts for FY 2021-22			
	Mean	Median	Max	Min
Inflation based on WPI: All Commodities	4.9	5.3	7.2	1.8

**10.5 Authority's decisions on Inflation for Second Control Period**

Based on the material before it and its analysis, the Authority has decided:

- 10.5.1 To consider WPI inflation at 4.9% based on Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69 for the Second Control Period (refer Para 10.4.2) in estimating the escalation rates of different items of Operating Expenditure and Revenues as applicable.



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## CHAPTER 11. QUALITY OF SERVICE FOR SECOND CONTROL PERIOD

### 11.1 CHIAL's submissions relating to Quality of Service

11.1.1 CHIAL had not made any submissions related to Quality of Service as part of its MYTP submission.

### 11.2 Authority's analysis relating to Quality of Service for Second Control Period at the Consultation stage

11.2.1 The Authority noted that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall "*monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf.*"
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for aeronautical services taking into consideration "*the service provided, its quality and other relevant factors.*"

11.2.2 The Authority noted from ACI's website that CHIAL has been awarded as the Best Airport by Size & Region for handling 2 to 5 million passengers and Best Hygiene Measures by Region for 2021 in Asia-Pacific region based on customers reviews in 2020.

11.2.3 The Authority did not propose any adjustment towards tariff determination for the Second Control Period on account of quality of service maintained by CHIAL.

### 11.3 Stakeholders' comments on Quality of service for Second Control Period

11.3.1 During the stakeholder consultation process, the Authority has not received any comments / views from stakeholders in response to the proposals of Authority in Consultation Paper No.09/2021-22 with respect to determination of Quality of service for the Second Control Period.

### 11.4 Authority's decisions on Quality of service for Second Control Period

Based on the material before it and its analysis, the Authority has decided:

11.4.1 To not consider any adjustment towards tariff determination for the Second Control Period with regards to quality of service (refer Para 11.2.3).





**CHAPTER 12. AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD****12.1 CHIAL's submissions relating to Aeronautical Revenue**

12.1.1 CHIAL had requested for the following with respect to Aeronautical Revenue:

**Table 99: Rates proposed by CHIAL vis a vis existing rates**

Revenue Heads	Particular	Existing	Proposed for FY 22	Proposed from FY 23 to FY26
Parking & Housing Charges	Up to 40 MT	Rs.1.80 per hour per MT	Same as First Control Period	Same as First Control Period
	Above 40 MT up to 100 MT	Rs.72.00 + Rs.3.40 per hour per MT	Same as First Control Period	Same as First Control Period
	Above 100 MT	Rs.276.00+ Rs.5.20 per hour per MT	Same as First Control Period	Same as First Control Period
UDF Charges	Domestic Passenger (Up to 165 Nautical Miles)	Rs.261 per departing passenger	Same as First Control Period	Rs.320 per departing passenger
	Domestic Passenger (Above 165 Nautical Miles)	Rs.661 per departing passenger	Same as First Control Period	Rs.725 per departing passenger
	International Passenger	Rs.1511 per departing passenger	Same as First Control Period	Rs.1,550 per departing passenger
BRS	Domestic & International	Rs. 6.19 per departing passenger	Same as First Control Period	Same as First Control Period
CUTE	Domestic & International	Rs. 17 per departing passenger	Same as First Control Period	Same as First Control Period

12.1.2 CHIAL projected Revenue share from Ground handling operators to decelerate by 10% from the pre Covid-19 level i.e.FY20 in FY22 and subsequently decelerate at 10% p.a. y-o-y thereafter in line with the modification of ground handling policy as notified by DGCA vide notification No. 10/2018 dated 25 Oct 2018.

12.1.3 CHIAL projected revenue from handling charges per ATM to be INR 2,500 per non-scheduled domestic ATM and INR 7,500 per non-scheduled international ATM. The growth rate is expected to be in line with expected growth of Air Traffic Movement (ATM) and no escalation in the handling charge per ATM is proposed.

12.1.4 CHIAL projected rent revenue from capitalization of asset in FY23 estimated to be INR 31.5 Lakhs and additional rent revenue capitalization of Hanger in FY 24 estimated to be INR 63 Lakhs. CHIAL had proposed increase of 5% y-o-y for Second Control Period.

12.1.5 Revenue from cargo services:

- CHIAL projected new line of cargo service from FY 22 i.e. Terminal, Storage and Processing (TSP) charges and demurrage along with XBIS screening charges.



## AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD

- CHIAL proposed X-BIS Screening Charges rate to Rs. 1 per kg from Rs.75 paise per kg as decided in First Control Period Order. The growth rate of cargo revenue is expected to be in line with expected growth of overall Cargo traffic.
- CHIAL proposed 30% of revenue from collection of revenue from TSP and demurrage charges as EBITDA from Cargo to be considered as Aeronautical Revenues.

**Table 100: CHIAL's submission of aeronautical revenue for the Second Control Period**

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Parking and housing revenue	5.60	6.10	6.70	7.20	7.70	33.30
User Development Fees	5,934.62	7,769.74	8,624.41	9,400.60	10,246.66	41,976.03
Extension of Watch Hours	0.33	0.37	0.40	0.43	0.46	1.99
Baggage Reconciliation System Charges	33.86	37.58	41.72	45.47	49.56	208.19
Common User Terminal Equipment Charges	186.17	195.47	205.25	215.51	226.28	1,028.68
Revenue share from GH operators	99.38	89.44	80.50	72.45	65.20	406.96
Handling charge of Non schedule ATM	13.35	14.69	16.15	17.28	18.50	79.97
Cargo Revenue:-						-
A) - Revenue from Cargo TSP	65.14	72.63	79.90	87.76	96.39	401.82
B) - Other than Cargo Screening	48.37	54.67	60.13	65.95	72.34	301.47
Aero Rent & Services- Land Refuelling station	325.26	325.26	349.66	375.88	404.07	1,780.13
Aero Rent from new facilities	-	31.50	96.08	100.88	105.92	334.38
Rent & services from space to GH/Airlines						
<b>Total Aeronautical Revenue</b>	<b>6,712.05</b>	<b>8,597.48</b>	<b>9,560.93</b>	<b>10,389.43</b>	<b>11,293.12</b>	<b>46,553.02</b>

### 12.2 Authority's analysis relating to Aeronautical Revenue for Second Control Period at the Consultation stage

- 12.2.1 The Authority had carefully reviewed the various assumptions relating to Aeronautical revenues.
- 12.2.2 The Authority noted that rates for User Development Fees in the First Control Period for Domestic Passenger (Up to 165 Nautical Miles), Domestic Passenger (Above 165 Nautical Miles), International Passenger had been proposed by CHIAL from second year in the control period (refer para 12.1.1 for the proposed rates). The Authority proposed to consider the request of CHIAL for continuing existing rate for FY22 and proposed new rates from 1<sup>st</sup> April 2022.
- 12.2.3 The Authority noted that CHIAL had requested for continuance of the same rates of tariff for Parking & Housing, BRS and CUTE-Charges (while BRS and CUTE charges have not been submitted in the form of Tariff card) (CHIAL receives royalty towards CUTE and BRS charges @ Rs. 17 and Rs. 6.19 per departing passenger from the Independent Service Provider (ISP), M/s SITA).
- 12.2.4 The Authority noted that currently the watch hours are 24\*7 and hence Revenue from Extension of Watch Hours may not be allowed. Also, the Landing charges are collected by IAF. Hence, handling charge of Non schedule ATM as per CHIAL's submission may not be permitted to be collected.





## AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD

### 12.2.5 Revenue from Cargo charges:

- On April 16<sup>th</sup> 2021, CHIAL submitted request for cargo charges to be approved for running the cargo operations. The Authority had reviewed and sought clarification on the manner of operation of cargo services. During discussions, CHIAL informed that the cargo operations are proposed to be concessioned out and that the process of identification of the concessionaires was under way. However, in June 2021, CHIAL informed that the services have not been concessioned out as yet and had submitted that the service will be carried out by CHIAL themselves.
- In order to review the cargo charges to be approved, detailed MYTP as required by Authority's guidelines (Direction 4) was to be submitted detailing the various building blocks including Assets, Depreciation, Operating Expenses etc. together with the income statement of cargo operations. The Authority noted that details such as Assets, Deprecation computation etc. has not been submitted by CHIAL. Instead of a detailed Income statement with various elements, CHIAL had considered 30% of TSP Revenue estimate based on it proposed rate card together with screening charges as collected earlier, as part of aeronautical revenue.
- The Authority advised CHIAL to submit the appropriate MYTP for the Authority's evaluation in this regard. In the absence of details of any of the building blocks viz. Assets, depreciation etc. and in the interest of time to issue the Consultation Paper for comments on Stakeholders, the Authority considered 100% of the cargo revenue estimate instead of 30% estimated by CHIAL as part of aeronautical revenues.
- Also, the Authority noted that, CHIAL has estimated commissioning of new cargo terminal in FY26 which the Authority has proposed not to consider, as detailed in per Para 4.3.3 above.

12.2.6 The Authority noted that CHIAL projected rent revenue from capitalization of assets in FY23 and capitalization of Hanger in FY 24. The Authority further noted that the estimated commissioning of Hanger in FY24 has not been proposed to consider as per para 4.3.1 (ref H) by the Authority. However, the Authority noted the Rent form new facility appearing from assets (GPU/PCA for existing PBB's & Ticketing Counters) added as part of RAB in FY 22 of Second Control Period as presented in Table 53 to be included in revenue from Aeronautical service and grow at inflationary increase of 5% year-on-year as proposed by CHIAL.

12.2.7 Lease rental from refueling station and space given to Ground handlers, Airlines, BRS and CUTE service providers shall be the same in FY 22 of Pre Covid level i.e. FY 20 and grow at 5% year-on-year increase in line with the CAGR of revenue from lease rental in the First Control Period.

12.2.8 Total revised revenue from Aeronautical services after considering the above changes is provided in the table below:

**Table 101: Aeronautical revenues proposed for the Second Control Period by the Authority**

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Parking and housing revenue	4.00	5.77	6.55	7.14	7.54	31.01
User Development Fees	4,737.31	7,542.12	8,324.39	9,083.31	9,568.79	39,255.92
Extension of Watch Hours	-	-	-	-	-	-
Baggage Reconciliation System Charges	25.96	37.15	40.48	44.20	46.50	194.30
Common User Terminal Equipment Charges	142.74	204.28	222.58	243.06	255.67	1,068.32
Revenue share from GH operators	99.38	89.44	80.50	72.45	65.20	406.96





## AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Handling charge of Non schedule ATM	-	-	-	-	-	-
Cargo Revenue:-						
A) - Revenue from Cargo Screening	65.14	72.63	79.90	87.76	96.39	401.82
B) - Other than Cargo Screening	161.23	182.22	200.44	219.85	241.14	1,004.89
Aero Rent & Services- Land Refuelling station	399.80	419.79	440.78	462.82	485.96	2,209.15
Aero Rent from new facilities	-	31.50	33.08	34.73	36.47	135.77
Rent & services from space given to GH/Airlines	295.08	309.83	325.32	341.59	358.67	1,630.49
<b>Total Aeronautical Revenue</b>	<b>5,930.63</b>	<b>8,894.74</b>	<b>9,754.02</b>	<b>10,596.90</b>	<b>11,162.34</b>	<b>46,338.63</b>

### 12.3 Stakeholders' comments on Aeronautical Revenues for Second Control Period

12.3.1 During the stakeholder consultation process, the Authority has received comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of Aeronautical Revenue for the Second Control Period. The comments by stakeholders are presented below:

#### CHIAL's Comments:

12.3.2 Extension of watch hours & Handling Charge: CHIAL requested the Authority to include revenue from Extension of watch hours and Handling Charge of Non scheduled ATM as part of its tariff card as these charges are purely to discourage the operation which operates outside the routine procedure of the airport.

12.3.3 Income from Ground Handling: CHIAL requested the Authority to revisit the treatment of income from ground handling from aeronautical to non aeronautical based on AERA Guidelines, Direction 5- para 5.6.2 with respect to Non Aeronautical Revenue states that " The Authority shall include all revenue (including revenue share, royalty and dividend) earned by the airport operators from independent service provider(s) for the service(s) provided for ground handling services relating to aircraft, passenger and cargo at a major airport; the cargo facility at major airport; and supplying fuel to the aircraft at a major airport for calculation of overall passenger yield".

12.3.4 Revenue from Cargo Operations: CHIAL requested the Authority to consider the Cargo Expenses noting that the Cargo Revenue proposed by the Authority is Gross Cargo revenue and that it does not consider Cargo expenses as detailed in Table 80.

#### FIA's Comments:

12.3.5 UDF Charges: Not to implement any increase in the aeronautical tariff in the Second Control Period and defer increase in the same to the subsequent control period. Due to the impact of the second (major) wave of COVID-19 as experienced across India since March 2021 the airlines have again started witnessing a sharp decline in the demand for air travel and this being coupled with the government restrictions on fare & capacity on inter/intra State travel as applicable ('Government Restrictions')

12.3.6 Parking Charges

(a) In the present Consultation Paper, it is observed that 'Parking Charges' are bifurcated for 'First Two hours after free parking period' and 'Beyond Four Hours', which was not prescribed in the earlier AERA order No. 17/2016-17 dated 27 March, 2017, as extended, for the First Control Period for IXC (FCP Order). FIA requested to clarify the basis of such bifurcation in 'Parking Charges', in the present Consultation Paper.





(b) In the FCP Order, a 50% rebate in parking charges between 2200 HRS to 0600 HRS was provided. However, the same is not prescribed in the present Consultation Paper. FIA requested CHIAL to kindly clarify.

12.3.7 BRS/CUTE Charges: FIA requested AERA/CHIAL to kindly clarify whether CHIAL will raise the invoice for BRS/Cute charges instead of SITA in the Second Control Period.

12.3.8 Charges for Domestic cargo handling (Ref. Para IV.5 on Page 102 of the Consultation Paper)

In respect of airlines undertaking cargo self-handling in accordance with applicable law/regulations, no charges should be billed to such airlines. (For e.g. as IndiGo is undertaking services of loading/unloading of cargo through its wholly owned subsidiary 'Agile Airport Services Private Limited' at IXC, no charges should be billed to IndiGo).

#### **12.4 CHIAL's response to Stakeholders' comments on Aeronautical Revenues for Second Control Period**

In response to FIA's Comments:

12.4.1 UDF Charges: CHIAL give consensus with the proposal of authority in respect of UDF Charges for the second control period as per the consultation paper no 09/2021-22. There is marginal hike proposed by CHIAL in the UDF charges from 2nd year of the second control period. Further, CHIAL would only be able to recover the shortfall which was eligible for the 1st control period, as shortfall for 1st Control period itself is about Rs. 350 Crores and with this UDF in second control period, CHIAL would get about only Rs. 450 Crores as Aero revenue in 2nd Control period.

12.4.2 Parking Charges: 'Parking Charges' are bifurcated for 'First Two hours after free parking period' and 'Beyond Four Hours', was decided to streamline the movement of aircraft and to discourage the delay in the aircraft movement. CHIAL has separately defined the night parking charges according to the different category of users which is submitted in the Tariff Rate Card.

12.4.3 BRS/CUTE Charges: CHIAL will raise the invoice to the service provider (presently SITA) in respect of revenue sharing of services provided to the airlines.

12.4.4 Charges for Domestic cargo handling: In this regard CHIAL mentioned that airlines have to ensure for sitting place/common place for the staff deployed at airport for cargo operations/ ground handling for the airlines who has opted for self-handling. Further, airlines also to ensure the basic amenities/infrastructure for the staff deployed for self-handling at airport.

Regarding Incentive Scheme to Airlines for newer routes as proposed during Stakeholder's meeting held on 6<sup>th</sup> July 2021

12.4.5 During the stakeholder meeting process, CHIAL had proposed certain incentives to Airlines. This was not submitted in the ATP by CHIAL. The Authority enquired on the same and CHIAL has submitted updated ATP on 11<sup>th</sup> August 2021 including the said incentive scheme.



**12.5 Authority's examination after reviewing stakeholders' comments on Aeronautical Revenues for Second Control Period**

12.5.1 The Authority has examined the comments made by CHIAL and FIA regarding Aeronautical Revenues and CHIAL's counter comments to the same:

CHIAL's Comments:

Extension of Watch Hours:

12.5.2 The Authority is of the view that the need for extension of watch hours arises only when the airport is operating for less than 24 hours. CHIAL currently operates for 24 hours and all assumptions for MYTP submission including manpower posting considers a 24-hour operation. If there is a change in 24-hour Operation from IAF side, CHIAL may approach the Authority with appropriate details. Hence, the Authority decides not to allow charges pertaining to extension of watch hours.

Handling charge of Non-scheduled ATM:

12.5.3 The nature of services rendered to collect such a Handling charge is not clearly explained. Also, in CHIAL, Landing charges are collected by IAF. Accordingly, the Authority did not find any justification to agree to CHIAL's proposal. Hence, the Authority decides not to allow such a charge.

Income from Ground Handling:

12.5.4 The Authorities view on the same has been addressed in para 2.3.15

Revenue from Cargo Operations:

12.5.5 The Authority noted CHIAL's request regarding considering operating expenses related to cargo operations instead of considering 100% cargo revenue into aeronautical revenue. The same has been addressed by the Authority in para 7.5.4. and 4.11.7.

Night Parking Charges

12.5.6 The Authority noted that CHIAL has amended its submissions of ATP regarding Night Parking in response to the Consultation Paper. Accordingly, the Authority decides to consider the night parking charges as submitted by CHIAL as part of ATP.

Incentive Scheme to Airlines for newer routes

12.5.7 The Authority noted that the incentive scheme was proposed by CHIAL in Stakeholders meeting held on 6<sup>th</sup> July 2021. CHIAL has also submitted the Board approval granting incentive to encourage new routes/unserved routes from Chandigarh International Airport. Based on objective to encourage and enhance new routes/unserved routes, the Authority decides to include this as part of the tariff rate card. Accordingly, aeronautical revenues will be trued up based on such incentive scheme operated by the CHIAL.

FIA's Comments:

UDF Charges:

12.5.8 Despite the huge shortfall in ARR which CHIAL carries forward, there has not been a request for significant increase in tariff. The increase sought by CHIAL considers only inflationary increase and a significant amount of shortfall still continues to be carried forward. Also, considering Covid, there has been no increase in tariff for the first year of the second control period. Hence the Authority is convinced of the need for such inflationary increase and decides to consider the same.

Parking Charges:

12.5.9 The Authority noted CHIAL's counter comments.

BRS/CUTE Charges:

12.5.10 The Authority noted CHIAL's counter comments.





## AERONAUTICAL REVENUE FOR SECOND CONTROL PERIOD

### Charges for Domestic cargo handling:

- 12.5.11 The Authority noted CHIAL's counter comments.
- 12.5.12 The Authority notes that that the Aero rent from new facilities was estimated based on inflationary increase on 5% (CPI index) in Consultation Paper No.09/2021-22 for Second Control Period. The Authority has decided to consider the adjustment of inflationary increase at 4.9% (WPI of all commodities as per RBI Survey of Professional Forecasters on Macroeconomic Indicators – Round 69) as detailed in Para 10.4.2.
- 12.5.13 Based on the above, the revised Aeronautical revenue for the Second Control Period considered by the Authority is set out in the table below:

**Table 102: Aeronautical revenue considered for the Second Control Period by the Authority**

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Revenue as per Consultation Paper	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	46,338.63
Less: Aero Rent from new facilities as per CP no.09/2021-22	-	31.50	33.08	34.73	36.47	135.77
Add: Aero Rent from new facilities considering inflation of 4.9%	-	31.50	33.04	34.66	36.36	135.57
<b>Total Aeronautical Revenue</b>	<b>5,930.63</b>	<b>8,894.74</b>	<b>9,753.98</b>	<b>10,596.83</b>	<b>11,162.24</b>	<b>46,338.42</b>

## 12.6 Authority's decisions on Aeronautical Revenues for Second Control Period

Based on the material before it and its analysis, the Authority decides:

- 12.6.1 To not consider the revenue from Extension of Watch Hours and Handling charge of Non schedule ATM.
- 12.6.2 To consider rent form new facility from asset capitalized and added as part of RAB in FY 22 of Second Control Period as presented in Table 53 as a part of revenue from Aeronautical services.
- 12.6.3 To consider UDF charges proposed by CHIAL in Table 99.
- 12.6.4 To consider Aeronautical revenue as set out in Table 102 for determination of aeronautical tariffs for Second Control Period.
- 12.6.5 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third control period.





AGGREGATE REVENUE REQUIREMENT FOR SECOND CONTROL PERIOD

**CHAPTER 13. AGGREGATE REVENUE REQUIREMENT FOR SECOND CONTROL PERIOD**

**13.1 CHIAL's submissions relating to Target Revenue**

13.1.1 CHIAL submitted its MYTP submission for Second Control Period based on which the Aggregate revenue requirement was as follows:

**Table 103: Aggregate revenue requirement (ARR) for the Second Control Period as proposed by CHIAL**

ARR (Rs.in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB excluding land	34,949.66	38,135.65	39,561.74	43,422.33	50,456.67	
Closing RAB excluding land	38,135.65	39,561.74	43,422.33	50,456.67	55,513.77	
<b>Average RAB excluding land</b>	<b>36,542.65</b>	<b>38,848.70</b>	<b>41,492.04</b>	<b>46,939.50</b>	<b>52,985.22</b>	
FRoR	15%	15%	15%	15%	15%	
Return on RAB	5,481.40	5,827.30	6,223.81	7,040.92	7,947.78	32,521.21
Operating expense	3,265.02	3,579.59	3,976.89	4,475.76	5,036.67	20,333.93
Depreciation for the period	2,233.47	2,478.91	2,684.07	3,116.89	3,506.40	14,019.74
Aero Tax	0.00	566.95	681.53	588.57	558.04	2,395.09
Return on land cost	4,111.61	4,111.61	4,111.61	4,111.61	4,111.61	20,558.06
True - up adjustment for previous control period	73,098.88					73,098.88
<b>ARR</b>	<b>88,190.38</b>	<b>16,564.37</b>	<b>17,677.90</b>	<b>19,333.76</b>	<b>21,160.51</b>	<b>1,62,926.91</b>
Non Aero income	2,345.89	2,556.34	2,817.37	3,067.48	3,339.91	14,126.99
Non Aero- Subsidization	703.77	766.90	845.21	920.24	1,001.97	4,238.10
<b>Net Aggregate revenue requirement</b>	<b>87,486.61</b>	<b>15,797.47</b>	<b>16,832.69</b>	<b>18,413.51</b>	<b>20,158.54</b>	<b>1,58,688.81</b>
Projected Aero revenue	6,712.05	8,597.48	9,560.93	10,389.43	11,293.12	46,553.02
Shortfall	80,774.56	7,199.99	7,271.76	8,024.08	8,865.41	1,12,135.80
Discount rate	15%	15%	15%	15%	15%	
Discount factor	0.87	0.76	0.66	0.57	0.50	
<b>Discounted Shortfall carried forward to next control period</b>	<b>70,238.75</b>	<b>5,444.22</b>	<b>4,781.30</b>	<b>4,587.79</b>	<b>4,407.68</b>	<b>89,459.74</b>

**13.2 Authority's analysis relating to Target Revenue for Second Control Period at the Consultation stage**

13.2.1 Based on the submissions made by CHIAL, the Authority noted that CHIAL has considered period of discounting as 1 to 5 years from FY22 to FY26. The Authority proposed to recompute the same using period of discounting as 0 to 4 years from FY22 to FY26 as per Direction 5 of AERA Guidelines, 2011.

13.2.2 The Authority's had, based on examination on CHIAL submissions determined the following Aggregate Revenue for CHIAL for the Second Control Period.





**AGGREGATE REVENUE REQUIREMENT FOR SECOND CONTROL PERIOD**

**Table 104: Aggregate revenue requirement proposed for the Second Control Period by the Authority**

Particulars (Rs. in Lakhs)	Table Ref		FY22	FY23	FY24	FY25	FY26	Total
Opening RAB		A	38,385.09	40,343.04	37,383.08	35,717.23	34,935.74	
Closing RAB		B	40,343.04	37,383.08	35,717.23	34,935.74	32,666.68	
<b>Average RAB</b>	Table 61	<b>C=Av (A&amp;B)</b>	<b>39,364.07</b>	<b>38,863.06</b>	<b>36,550.16</b>	<b>35,326.48</b>	<b>33,801.21</b>	
FRoR	Para 6.6.1	D	14%	14%	14%	14%	14%	
Return on RAB		E=C*D	5,510.97	5,440.83	5,117.02	4,945.71	4,732.17	<b>25,746.70</b>
Operating expense	Table 79	F	2,855.26	3,073.09	3,294.93	3,533.78	3,791.53	<b>16,548.60</b>
Depreciation	Table 61	G	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	<b>15,460.45</b>
Aero Tax		H	50.89	499.99	592.86	643.25	718.41	<b>2,505.41</b>
Return on land	Table 71	I	2,263.79	2,263.79	2,263.79	2,263.79	2,263.79	<b>11,318.93</b>
True - up for First Control Period as on 31 March 2022	Table 45	J	34,468.23					<b>34,468.23</b>
<b>Aggregate revenue requirement (ARR)</b>		<b>K=SU M(E:J)</b>	<b>47,933.23</b>	<b>14,237.66</b>	<b>14,334.46</b>	<b>14,768.02</b>	<b>14,774.95</b>	<b>1,06,048.32</b>
Non Aero income	Table 88	L	1,814.16	2,643.98	3,007.10	3,428.74	3,775.76	<b>14,669.75</b>
Non Aero- Subsidised		M=30 %*L	544.25	793.19	902.13	1,028.62	1,132.73	<b>4,400.92</b>
<b>Net ARR</b>		<b>N=K- M</b>	<b>47,388.98</b>	<b>13,444.47</b>	<b>13,432.33</b>	<b>13,739.40</b>	<b>13,642.22</b>	<b>1,01,647.40</b>
Projected Aero revenue	Table 101	O	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	<b>46,338.63</b>
<b>Shortfall</b>		<b>P=N-O</b>	<b>41,458.35</b>	<b>4,549.72</b>	<b>3,678.32</b>	<b>3,142.50</b>	<b>2,479.88</b>	<b>55,308.77</b>
Discount rate		Q	14%	14%	14%	14%	14%	
Discount factor		R	1.00	0.88	0.77	0.67	0.59	
NPV of Net Aggregate revenue requirement		S=N*R	47,388.98	11,793.40	10,335.74	9,273.70	8,077.29	<b>86,869.11</b>
NPV of Project revenue		T=O*R	5,930.63	7,802.41	7,505.40	7,152.60	6,609.00	<b>35,000.04</b>
<b>Discounted Shortfall carried forward to next control period as on 31 March 2022</b>		<b>U=S-T</b>	<b>41,458.35</b>	<b>3,990.99</b>	<b>2,830.34</b>	<b>2,121.10</b>	<b>1,468.29</b>	<b>51,869.06</b>



## AGGREGATE REVENUE REQUIREMENT FOR SECOND CONTROL PERIOD

### 13.3 Stakeholders' comments on ARR and Target Revenue for Second Control Period

13.3.1 During the stakeholder consultation process, the Authority has received no comments / views from stakeholders in response to the proposals of Authority in the Consultation Paper No.09/2021-22 with respect to determination of ARR and Target Revenue for the Second Control Period.

### 13.4 Authority's examination after reviewing stakeholders' comments on ARR and Target Revenue for Second Control Period

13.4.1 The Authority noted that there are no comments received from stakeholders in respect to determination of Taxation for the Second Control Period.

13.4.2 The Authority has analyzed the impact of depreciation and operating expenses related to cargo assets and revised inflation rate on tax and ARR. After considering the impact of same, the Authority decides to consider the below ARR for the Second Control Period.

**Table 105: Aggregate revenue requirement considered for the Second Control Period by the Authority**

Particulars (Rs. in Lakhs)	Table Ref	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB excluding land		A	38,385.09	40,890.15	37,900.62	36,205.20	35,394.14	
Closing RAB excluding land		B	40,890.15	37,900.62	36,205.20	35,394.14	33,095.52	
<b>Average RAB excluding land</b>	Table 67	<b>C= Aver (A&amp;B)</b>	<b>39,637.62</b>	<b>39,395.38</b>	<b>37,052.91</b>	<b>35,799.67</b>	<b>34,244.83</b>	<b>1,86,130.41</b>
FRoR	Para 6.6.1	D	14%	14%	14%	14%	14%	
Return on RAB		E=C*D	5,549.27	5,515.35	5,187.41	5,011.95	4,794.28	<b>26,058.26</b>
Operating expense	Table 83	F	2,903.30	3,179.54	3,412.45	3,661.53	3,930.64	<b>17,087.46</b>
Depreciation	Table 67	G	2,798.87	2,989.53	3,095.42	3,411.06	3,298.62	<b>15,593.50</b>
Taxation	Table 95	H	39.92	476.23	567.16	615.76	687.17	<b>2,386.24</b>
Return on land	Table 71	I	2,263.79	2,263.79	2,263.79	2,263.79	2,263.79	<b>11,318.95</b>
True - up adjustment for previous control period as on 31 March 2022	Table 45	J	34,468.23					<b>34,468.23</b>
<b>Aggregate revenue requirement (ARR)</b>		<b>K= SUM(E :J)</b>	<b>48,023.38</b>	<b>14,424.44</b>	<b>14,526.23</b>	<b>14,964.09</b>	<b>14,974.50</b>	<b>1,06,912.64</b>
Non Aero income	Table 89	L	1,814.16	2,641.47	3,001.38	3,418.97	3,761.42	<b>14,637.40</b>
Non Aero-Subsidization		M= 30%*L	544.25	792.44	900.42	1,025.69	1,128.43	<b>4,391.23</b>





**AGGREGATE REVENUE REQUIREMENT FOR SECOND CONTROL PERIOD**

Particulars (Rs. in Lakhs)	Table Ref	Ref	FY22	FY23	FY24	FY25	FY26	Total
Net Aggregate revenue requirement (NARR)		N=K-M	47,479.13	13,632.00	13,625.81	13,938.40	13,846.07	1,02,521.41
Projected Aero revenue	Table 102	O	5,930.63	8,894.74	9,753.98	10,596.83	11,162.24	46,338.42
Shortfall		P=N-O	41,548.50	4,737.26	3,871.83	3,341.57	2,683.83	56,182.99
Discount rate		Q	14%	14%	14%	14%	14%	
Discount factor		R	1.00	0.88	0.77	0.67	0.59	
PV of NARR		S=N*R	47479.13	11957.89	10484.62	9408.02	8197.98	87,527.64
PV of Aero Revenue		T=O*R	5930.63	7802.41	7505.37	7152.56	6608.94	34,999.91
Discounted Shortfall carried forward to next control period as on 31 March 2022		U=S-T	41,548.50	4,155.48	2,979.25	2,255.46	1,589.04	52,527.73

**13.5 Authority's decisions on ARR and Target Revenue for Second Control Period**

Regarding Aggregate Revenue Requirement, the Authority decides:

- 13.5.1 To determine the aggregate revenue requirement and shortfall for the Second Control Period as detailed in Table 105.
- 13.5.2 True up of all building blocks shall be considered on actual basis in the tariff determination of the next control period.





## CHAPTER 14. SUMMARY OF AUTHORITY'S DECISIONS

The below mentioned summary provides the Authority's decisions relating to relevant chapters regarding the tariff determination for the Second Control Period as reproduced below:

### 14.1 True up of First Control Period

- 14.1.1 To consider actual traffic for the First Control Period as per Table 5 above for true up.
- 14.1.2 To consider rent from space given to Aeronautical Service Providers as aeronautical in nature and accordingly, consider aeronautical revenue as detailed in Table 9 above for true up of the First Control Period.
- 14.1.3 To consider depreciation on RAB as detailed in Table 26 for true up of the First Control Period.
- 14.1.4 To consider Average RAB as detailed in Table 29 above for true up of the First Control Period.
- 14.1.5 To consider FRoR as per para no. 2.8.5 for true up of the First Control Period.
- 14.1.6 To consider operating expenses as per Table 37 for the First Control Period.
- 14.1.7 To consider Non-Aeronautical revenue as per Table 41 for true up of the First Control Period.
- 14.1.8 To consider tax re-imburement for true up of the First Control Period as per Table 43.
- 14.1.9 To consider shortfall as per above Table 45 for the First Control Period which is to be adjusted in the Second Control Period.

### 14.2 Traffic for Second Control Period

- 14.2.1 To consider traffic as set out in Table 48 for Second Control Period considering the effect of COVID 19 Pandemic.
- 14.2.2 To true up the traffic based on actual numbers for the Second Control Period at the time of determination of tariff for the next control period.

### 14.3 Regulatory asset base and depreciation for Second Control Period

- 14.3.1 To consider additions to RAB as per Table 55 & Table 65.
- 14.3.2 To consider Depreciation on Aeronautical assets as per Table 59 & Table 66.
- 14.3.3 To consider average RAB for the Second Control Period as per Table 67.
- 14.3.4 To true up the additions to RAB, Depreciation and Average RAB at the time of determination of Aeronautical Tariff for the third control period after due evaluation and analysis.
- 14.3.5 To readjust the project cost by 1% and the applicable carrying cost in the Target Revenue at the time of determination of tariff for the third control period in case of non-completion of the project as per proposed timelines (para 4.3.7).

### 14.4 Return on Land for Second Control Period

- 14.4.1 To consider usage of land for the purpose of computing return on land as per Table 70.
- 14.4.2 To consider cost of land as per Para 5.2.7
- 14.4.3 To consider 6.21% as rate for computing return on land, based on the cost of debt availed by AAI.
- 14.4.4 To consider return on cost of land as per Table 71





**14.5 Fair rate of return for Second Control Period**

- 14.5.1 To consider FRoR at 14% for Second Control Period considering that it would have sufficient internal accruals to fund proposed additions to RAB during the control period but advises CHIAL to evaluate efficient means of financing.
- 14.5.2 To true up the FRoR based on actual debt-equity ratio and the cost of debt and equity as determined at the time of determination of aeronautical tariff for the third control period.

**14.6 Operating Expenses for Second Control Period**

- 14.6.1 To reduce Common Area Maintenance and light and water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 14.6.2 To consider operating and maintenance expenditure as detailed in Table 83 (Including Cargo Operating Expenses and adjusted Inflation rate) above for determination of tariff for the Second Control Period.
- 14.6.3 To consider the cost segregation ratios determined for the Second Control Period as listed in Table 78.
- 14.6.4 To true up operating and maintenance expenditure (including operating expenses for Cargo Operations) for the current control period, at the time of determination of tariff for the next control period, after evaluation of the reasonableness of the costs incurred.

**14.7 Non-aeronautical revenues for Second Control Period**

- 14.7.1 To not consider Interest Income and Miscellaneous Income at the time of estimation for the current control period, but true up the same at the time of determination of tariff for the next control period.
- 14.7.2 To adjust Common Area Maintenance and light and water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 14.7.3 To consider non-aeronautical revenue as set out in Table 89 above for the Second Control Period.
- 14.7.4 To consider Rentals from Aeronautical service providers as Aeronautical Revenues.
- 14.7.5 To true up non-aeronautical revenues for the current control period, at the time of determination of tariff for the next control period.

**14.8 Taxation for Second Control Period**

- 14.8.1 To consider aeronautical taxes for the Second Control Period by applying effective tax rate and MAT on the aeronautical profit before tax as per Table 95.
- 14.8.2 To true up the forecast figures of tax based on actuals, at the end of the control period, in computation of tariff for the third control period.

**14.9 Inflation for Second Control Period**

- 14.9.1 To consider WPI inflation at 4.9% based on Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69 for the Second Control Period (refer Para 10.4.2) in estimating the escalation rates of different items of Operating Expenditure and Revenues as applicable.

**14.10 Quality of Service for Second Control Period**

- 14.10.1 To not consider any adjustment towards tariff determination for the Second Control Period with regards to quality of service (refer Para 11.2.3).

**14.11 Aeronautical Revenue for Second Control Period**

- 14.11.1 To not consider the revenue from Extension of Watch Hours and Handling charge of Non schedule ATM.





- 14.11.2 To consider rent form new facility from asset capitalized and added as part of RAB in FY 22 of Second Control Period as presented in Table 53 as a part of revenue from Aeronautical service.
- 14.11.3 To consider UDF charges proposed by CHIAL in Table 99.
- 14.11.4 To consider Aeronautical revenue as set out in Table 102 for determination of aeronautical tariffs for Second Control Period.
- 14.11.5 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third control period.

**14.12 ARR and Target Revenue for Second Control Period**

- 14.12.1 To determine the aggregate revenue requirement and shortfall for the Second Control Period as detailed in Table 105.
- 14.12.2 True up of all building blocks shall be considered on actual basis in the tariff determination of the next control period.



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AERA



**CHAPTER 15. Order**

- 15.1.1 In exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariffs to be levied at Chandigarh International Airport, Chandigarh for the Second Control Period (1st April 2021 to 31st March 2026), as seen in Annexure 1 to the Order.
- 15.1.2 In exercise of powers conferred by Section 13(1)(b) of the AERA Act, 2008, read with Rule 89 of the Aircraft Rules, 1937, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure 1 to the Order for the current Control Period.
- 15.1.3 This tariff order shall be made effective from 1<sup>st</sup> October 2021.
- 15.1.4 The tariffs determined herein are the ceiling rates, exclusive of taxes, if any.
- 15.1.5 CHIAL shall submit its MYTP submission to the Authority for the Third Control Period in a timely manner as per Authority's Regulatory Guidelines, 2011.

By the order of and in the name of the Authority



Col. Manu Sooden  
Secretary, AERA

To,  
Mr. Ajay Kumar,  
Chief Executive Officer,  
Chandigarh International Airport Limited,  
New Civil Air Terminal, Jhurheri,  
Mohali, Punjab-140306  
Copy to,

1. **Secretary, Ministry of Civil Aviation**  
Rajiv Gandhi Bhawan,  
Safdarjung Airport,  
New Delhi – 110 003
2. **Directorate General of Civil Aviation**, for issue of AIC





## CHAPTER 16. Annexures

### Annexure 1: Tariff Rate Card as approved by the Authority for the Second Control Period

#### I) PARKING CHARGES:

Applicable rates till 31<sup>st</sup> March 2026

Weight of the Aircraft	Parking Charges rate per Hour per MT (First Two Hours after free parking period)	Parking Charges rate per Hour per MT (Beyond Four Hours)
Up to 40MT	Rs. 1.80 per hour per MT	Rs. 3.60 per hour per MT
Above 40MT Up to 100MT	Rs. 72.00 + Rs. 3.40 per hour per MT in excess of 40MT	Rs. 144.00 + 6.80 per hour per MT in excess of 40MT
Above 100MT	Rs. 276.00 + Rs. 5.20 per hour per MT in excess of 100MT	Rs. 552.00 + 10.40 per hour per MT in excess of 100MT

\*Housing Charges categorized as parking charges

#### Note:

- The above rates are applicable for both schedule and non-schedule airlines.
- After landing of any aircraft, no parking charges shall be levied for the first two hours.
- While calculating free parking time, standard time of 15 minutes shall be added on account of time taken between touch down and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point.
- These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
- For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour.
- Charges shall be calculated on the basis of nearest MT.
- Parking charges for each parking period shall be rounded off to nearest Rupee.
- At the in-contact stands and open stands, after free parking of two hours, normal parking charges shall be levied.

#### II) NIGHT PARKING CHARGES:

Applicable rates till 31<sup>st</sup> March 2026

<b>Category 1.</b> For <b>SCHEDULE AIRLINES</b> with prior permission of Night parking facility from CHIAL for the number of aircrafts approved for Night parking	No night parking charges will be charged from schedule airlines for the night parking hours as mentioned. Airlines have to obtain prior approval/permission of CHIAL for night parking of aircraft between 2200 hours to 0600 hours as per CHIAL night parking policy.
<b>Category 2.</b> a. Non Schedule Airlines having night parking permission of CHIAL as per CHIAL night parking policy b. Schedule Airline who is not having permission of CHIAL for night parking c. Schedule Airlines parking the aircraft beyond permissible number of aircraft approved by CHIAL For the above said category 2 (a,b,c) following are the rates:-	
<b>Weight of the Aircraft</b>	<b>Night Parking Charges</b>
Up to 40MT	Rs. 1.80 per hour per MT
Above 40MT Up to 100MT	Rs. 72.00 + Rs. 3.40 per hour per MT in excess of 40MT
Above 100MT	Rs. 276.00 + Rs. 5.20 per hour per MT in excess of 100MT
<b>Category 3.</b> Non Schedule Airlines not having night parking permission of CHIAL as per NPP	Normal Parking charges as mentioned at point no. I (Parking charges) will be applicable for the period of stay.





**Note:**

- a) Night Parking Hours (2200 Hours to 0600 Hours Next Day)
- b) After landing of any aircraft, two hours of parking will be free for all the aircrafts. While calculating free parking period, standard time of 15 Minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of Taxing Time of Aircraft from parking stand to takeoff point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
- c) For calculating chargeable night parking time, part of an hour shall be rounded off to the nearest hour.
- d) Charges shall be calculated on the basis of nearest MT.
- e) Charges for each period parking shall be rounded off to nearest Rupee.
- f) At the in contact stands and open stands, after free parking of two hours night parking charges shall be levied.
- g) In case of aircraft following under the category 1 i.e scheduled airlines having night parking permission, normal parking charges as applicable will be paid by airlines for the period of occupancy of parking bay between 0601 hours to 2159 hours.
- h) In case of aircraft following under the category 2, applicable night parking charges will be paid by the respective airlines and in case of parking beyond the permissible night parking hours, normal parking charges as mentioned at point no. I (Parking Charges) will be applicable from 0601 hours upto period of stay.

**III) USER DEVELOPMENT FEES**

Particulars	UDF (per Embarking Passenger) for tickets issued till 31 <sup>st</sup> March 2022	UDF (per Embarking Passenger) for tickets issued on or after 1 <sup>st</sup> April 2022 to 31 <sup>st</sup> March 2026
Domestic Passenger- up to 165 Nautical Miles	Rs.261/-	Rs.320/-
Domestic Passenger - above 165 Nautical Miles	Rs.661/-	Rs.725/-
International Passenger	Rs.1511/-	Rs.1550/-

**Note:**

- a) **UDF Collection Charges:** If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by CHIAL as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to CHIAL within the credit period of 15 days or in case of any part payment.
- b) For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1<sup>st</sup> fortnight and rate as on 15<sup>th</sup> of the month for tickets issued in the 2<sup>nd</sup> fortnight shall be adopted.
- c) Revised UDF charges will be applicable on tickets issued on or after the implementation of new tariff rate card.
- d) **General Conditions:**  
In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide Order no. AV 29012/39/2018-AD dated





10.04.2019/30.10.2019) the following categories of persons are exempted from levy and collection of UDF.

1. Children (under the age of 2 years)
2. Holders of Diplomatic Passport
3. Airlines crew on duty including sky marshals and airline crew on board for particular flight only (this would not include Dead Head Crew or Ground Personnel)
4. Persons travelling on official duty on aircraft operated by Indian Armed forces
5. Persons travelling on official duty for United Nations Peace Keeping Missions.
6. Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hours. A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued, it would not be treated as transit passengers).
7. Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

**IV) AVIATION SECURITY FEE**

Applicable as prescribed by the Ministry of Civil Aviation from time to time.

**V) BRS/CUTE CHARGES (Agency charges being collected from airline/ passengers)**

Particulars	Charges
BRS	Maximum of Rs. 14/- per departing passenger from airlines
CUTE	Maximum of Rs. Rs.37/- per embarking passenger

\* Concessioned to concessionaire on revenue share basis. The charges mentioned above will be collected by Concessionaire from Airlines.

**VI) OTHERS**

**VI.1 GENERAL CONDITIONS**

Flight operating under **Regional Connectivity Scheme** will be completely exempted from charges as per Order No. 20/2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by the GoI.

**VI.2 TAXES**

All applicable taxes, including Goods and Services Tax, shall be payable over and above the above charges at the prevailing rates from time to time.

**VII) INCENTIVE SCHEME FOR AIRLINES**

- I. Incentives to encourage airlines to serve new routes/unserved routes from Chandigarh Airport:

Particulars	Incentive for Airlines (excluding GST)
Domestic Passengers (Up to 165 Nautical Miles*)	Rs. 125 per embarking passenger
Domestic Passengers (Above 165 Nautical Miles*)	Rs. 300 per embarking passenger

\*The Nautical Miles will be considered as per UDF Billing.





Note:

- Incentive Scheme will be given to maximum of first three Airlines on each route upto 26.03.2022, which may be further extended subject to approval, provided that airlines operate atleast twice a week & must satisfy the following in order to avail the incentive:
    - a) To operate twice a week i.e 104 flights during FY 2021-22.
    - b) Outstanding dues of the respective airline must be NIL on the date of claiming the incentive.
  - **New routes/Unservd routes** means any Airport at which, there have been no scheduled commercial flights during the last two (2) flight schedules approved by the DGCA.
  - Only Direct routes shall be considered. Routes connected through hopping flights shall be excluded.
- II. Incentives to enhance operations on new International routes/ unserved routes/ existing International routes from Chandigarh Airport:

Basis	Incentive for Airlines (excluding GST)
<b>For New International routes/Unservd routes:</b>	
All embarking passenger count	Rs. 700 per embarking passenger
<b>For Existing International routes:</b>	
Applicable for first 20% embarking passenger count (above minimum limit)	Rs. 300 per embarking passenger
Applicable beyond 20% embarking passenger count (above minimum limit)	Rs. 700 per embarking passenger

Note:

- Incentive Scheme will be provided subject to condition that airlines outstanding dues must be NIL on the date of claiming the incentive and incentive will be applicable only to those flights which are/will be paying UDF charges to CHIAL.
- **For New International routes/Unservd routes:**  
This incentive scheme will be provided/offered to those airlines which satisfy either of the following conditions:
  - a) **For F.Y. 2021-22:** Minimum 100 Flights for F.Y. 2021-22 or Embarking passenger count should be minimum 16,500 for F.Y. 2021-22.
- Incentive Scheme will be provided to maximum of first three Airlines on each route upto 26.03.2022, which may be further extended subject to approval, in respect of **all embarking passenger count**.
- **For Existing International routes:**  
This incentive scheme will be provided/offered to those airlines which satisfy either of the following conditions:
  - a) **For F.Y. 2021-22:** Embarking passenger count should be minimum 35,000 for Dubai flight and 24,000 for Sharjah flight for F.Y. 2021-22.
- Incentive Scheme will be provided to maximum of first three Airlines on each route upto 26.03.2022, which may be further extended subject to approval, in respect of **only embarking passenger count above minimum limit**.
- **New routes/Unservd routes** means any Airport at which, there have been no scheduled commercial flights during the last two flight schedules approved by the DGCA from Chandigarh International Airport.
- For claiming incentive only direct International routes from Chandigarh shall be considered. Routes connected through hopping flights through another Domestic Airport shall not be entitled to claim incentive scheme.





**CARGO CHARGES****1. Export Cargo****i) Terminal, Storage and Processing Charges:**

S.no.	Particular	Rate per Kilogram Rs. / P	Minimum rate per consignment Rs. / P
1	General/Courier	0.75	100.00
2	Special/ Valuable	1.50	200.00
3	Perishable	0.75	100.00

**ii) Demurrage Charges (Leviable from Shipper)**

Same charges as applicable to Terminal, Storage and Processing Charges mentioned above.

**Note:**

- a) Demurrage free period shall be applicable as per government orders issued from time to time.
- b) 20% discount in the Terminal, Storage and Processing charges will be granted to Exporters, who opt for engaging their own loaders for offloading cargo from their vehicles at Truck Dock and shifting to Custom Examination Area.
- c) Terminal, Storage and processing charges applicable to Newspaper consignments shall be 50% of the prescribed charges.
- d) Consignments of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the purview of Terminal, Storage and Processing charges & Demurrage charges.
- e) Terminal, Storage and Processing charges are inclusive of Forklift charges wherever Forklift usage is involved. No separate Forklift charges will be levied.
- f) Special cargo consists of live animals, hazardous goods and valuable cargo.
- g) Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry & watches made of silver, gold platinum or items valued at US\$ 1000 and above.
- h) Charges will be levied on the 'gross weight' or the 'chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
- i) For mis declaration of weight above 2% and up to 5% of declared weight, penal charges @ double the applicable Terminal, Storage and Processing charges and for variation above 5%, the penal charges @ 5 times the applicable Terminal, Storage and Processing charges will be leviable on the differential weight, subject to minimum amount equivalent to the applicable minimum Terminal, Storage and Processing charges. No penal charges will be leviable for variation up to and inclusive of 2%. This will not apply to valuable cargo.
- j) All Bills shall be rounded off to the nearest of Rs.5/-.
- k) Merchant over Time (MOT) charges @ Rs.200.00 per consignment for admitting cargo beyond normal working hours.





**2. Import Cargo****i) Terminal, Storage and Processing Charges:**

	Particulars	Rate per Kg. Rs. / P	Minimum rate per consignment Rs. / P
1	General/Courier	2.50	100.00
2	Special/ Valuable	5.00	200.00
3	Perishable	2.50	100.00

**ii) Demurrage Charges**

	Type of Cargo	Period	Rate per Kilogram Rs. / Per Day	Minimum rate per consignment (Rs. / P.)
1	General Cargo/Courier Cargo	Up to 120 hrs. (5 days working) after free period	1.44	300.00
		Between 120 hrs. and 720 hrs. (6 and 30 days)	2.88	
		Beyond 720 hrs. (30 days)	4.31	
2	Special Cargo/ Valuable Cargo	Up to 120 hrs. (5 days working) after free period	2.87	600.00
		Between 120 hrs. and 720 hrs. (6 and 30 days)	5.73	
		Beyond 720 hrs. (30 days)	8.60	
16.1	Perishable Cargo	Up to 120 hrs. (5 days working) after free period	1.44	300.00
		Between 120 hrs. and 720 hrs. (6 and 30 days)	2.88	
		Beyond 720 hrs. (30 days)	4.31	

**Note: Import Cargo**

- Demurrage free period shall be applicable as per government orders issued from time to time.
- Consignments of human remains, coffin including baggage of deceased & human eyes will be exempted from the purview of Terminal, Storage and Processing charges & Demurrage charges.
- No separate Forklift charges will be levied.
- Charges will be levied on the 'gross weight' or the 'chargeable weight' of the consignment whichever is higher. Wherever the 'gross weight' and (or) volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross





- weight' or 'actual volumetric weight' or 'chargeable weight' whichever is higher.
- e) Special Import Cargo consists of cargo stored in cold storage, live animals and hazardous goods.
- f) Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry & watches made of silver, gold platinum or items valued at USD 1000 per Kg. & Above.
- g) All Bills shall be rounded off to the nearest of Rs.5/-.

**Notes:**

- Minimum de-stuffing charges per IGM shall be Rs 100/-
- Minimum carting charges shall be Rs 100/= per CTM.
- All bills shall be rounded off to the nearest higher of Rs 5/-.
- All charges by NSOs shall be on cash and carry basis.
- No free period may be allowed on second time handling /upliftment of export cargo from cargo terminal. Applicable charges (Storage) shall be levied.

**3. Domestic Outbound Cargo Charges Leviable on Shippers/Consignor(s) etc.**

ACTIVITY	CHARGES	
	MINIMUM	PER KG
1. Standard Charges for processing & Handling (TSP charges inclusive of off-loading / Loading/ Shifting & Forklift Usage)	INR	INR
a) General Cargo	100.00	0.75
b) Special (AVI) #	200.00	1.50
c) PER/DGR/VAL	200.00	1.50
2. Demurrage Charges / Storage (per day)		
a) General Cargo	100.00	0.75
b) Special (AVI)#	200.00	1.50
c) PER/DGR/VAL(If cold storage is used)	200.00	1.50
3. Courier Handling	200.00	1.00
4. Amendment of Airway Bill	100.00 per AWB	
5. Return Cargo Charges	100.00 per AWB	
6. Strapping Charges	10.00 per Bag	
7. In addition to the above, in the event of mis-Declaration of Weight, following charges based on the difference will apply		
2% - 5% variation	2 times of excess weight	
More than 5% (Not Applicable in VAL Cargo)	5 times of excess weight	

**Note:**

- a) Demurrage free period shall be applicable as per government orders issued from time to time.
- b) The domestic cargo handling charges applicable to newspaper and TV reel consignments shall be 50% of the prescribed charges.
- c) Consignment of human remains, coffin including unaccompanied baggage of deceased and





human eyes will be exempted from the preview of domestic cargo handling & demurrage charges.

- d) The domestic cargo handling charges are inclusive of forklift charges wherever forklift usage is involved. No separate forklift charges will be levied.
- e) As per IATA definition, Special cargo consists of cold storage, live animals, hazardous goods & valuable cargo.
- f) Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry & watches made of silver, gold platinum or items valued at USD 1000 per Kg. & above.
- g) Charges will be levied on the 'gross weight' or the chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
- h) For mis-declaration of weight above 2% and up to 5% of declared weight, penal charges @ double the applicable domestic cargo handling charges and for variation above 5%, the penal charges @5 times the applicable domestic cargo handling charges will be leviable on the differential weight, subject to minimum amount equivalent to the applicable minimum domestic cargo handling Charges. No penal charges will be leviable for variation up to and inclusive of 2%. This will not apply to Valuable Cargo.
- i) All the Bills shall be rounded off to the nearest of Rs.5/-.

#### 4. Domestic Inbound Cargo Charges Leviable on Consignee(s) etc.

ACTIVITY	CHARGES	
	MINIMUM (INR)	PER KG. (INR)
<b>1. Standard Charges for processing &amp; Handling (TSP charges inclusive of off-loading / Loading/ Shifting &amp; Forklift Usage)</b>		
a) General Cargo	100.00	0.75
b) Special (AVI)	200.00	1.50
c) PER/DGR/VAL	200.00	1.50
<b>2. Demurrage Charges / Storage (per day)</b>		
a) General Cargo	100.00	0.75
b) Special (AVI)	200.00	1.50
c) PER/DGR/VAL (If cold storage is used)	200.00	1.50
<b>3. Courier Handling</b>	200.00	1.00

#### Note:

- a) Demurrage free period shall be applicable as per government orders issued from time to time.
- b) 20% discount in the domestic cargo handling charges will be granted to the consignee/authorized representatives who opt for engaging their own loaders for loading cargo into their vehicles for delivery at designated areas from the airlines concerned.
- c) Consignment of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the preview of domestic cargo handling & demurrage charges.





- d) The domestic cargo handling charges are inclusive of fork lift charges wherever fork lift usage is involved. No separate fork lift charges will be levied.
- e) Charges will be levied on the 'gross weight' or the chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
- f) As per IATA definition, Special cargo consists of cargo stored in cold storage, live animals, valuable & hazardous goods.
- g) Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, traveller's cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry & watches made of silver, gold platinum or items valued at US\$ 1000 and above.
- h) All the Bills shall be rounded off to the nearest of Rs.5/-.

**5. Schedule of Charges leviable on Airlines for domestic cargo handling**

Activity	Charges	
	Minimum per flight INR	Per KG (INR)
A) Unloading of incoming cargo loaded on trolley (Bulk cargo handling)	100	0.50
B) Loading of outgoing cargo on trolley (Bulk Cargo handling)	100	0.50

**6. Validity period for Charges**

The charges proposed for domestic cargo handling would be valid for a period of 5 years from the date of commencement of cargo operation. The approval of AERA would be obtained before implementation of the charges.

**7. CARGO - X-BIS SCREENING CHARGES**

Cargo Revenue comprises of X-BIS screening Charges of Cargo Consignment. Proposed Cargo X-BIS Screening Charges rate is Rs. 1 per KG subject to minimum of Rs. 100 per consignment plus GST as applicable. Other Cargo Charges shall be examined separately, and separate proposal will be put up for tariff when the cargo terminal comes into operation.

**8. TAXES**

All applicable taxes, including Goods and Services Tax, shall be payable over and above the above charges at the prevailing rates from time to time.





**Annexure 2: Analysis of Capital expenditure approved and actually incurred for First Control Period**

Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
		(Rs. in lakhs)			
Apron	Cost of new apron	43.45	1676.00	1632.55	The need for such a spend is based on requests received from airlines for night parking. Thus, increasing the business to the airport even during pandemic. The selection process and award were carried out through a tender process.
Building Terminal	Construction of Aero Bridge Fixed Finger	250	473.32	223.32	While the building plan always contained plan to build fixed finger, the same was not executed due to capital constraints. With increase in passenger traffic, it was decided to go ahead with the construction. The selection and award process were carried out through a tender.
Building Terminal	Other Miscellaneous Civil Work	568.19	127.76	-440.43	While miscellaneous expenses are estimated for unforeseen event, the actual might be less than projected depending on actual requirements.
Machinery & Equipment	DFMD	20.39	36.26	15.87	There was a requirement for additional 13 nos. of Door Frame Metal Detectors (DFMD) based on security requirement by the CISF. The selection process is by call of E-tender.
Machinery & Equipment	Bomb Detection & Disposal Systems	500	8.28	-491.72	Due to some technical clarifications & discussions at HQ level, the project has been deferred at initial stage.
Electrical Installations/ Air Conditioners	One PBB	540	832.22	292.22	Originally 5 nos. of PBB were planned in the master plan to be installed in phases over period of time. 3 no's of PBB was installed including one old PBB transferred from AAI during 2015-16 at the time of operationalisation of new airport and out of the three PBB installed, one PBB





Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
		(Rs. in lakhs)			
					was impaired and discarded due to some technical problem during FY 2018-19. Later 3 PBB were installed including replacement of 1 old PBB which was impaired in FY 2018-19. Keeping the passenger growth into consideration, plan was made to install PBB at the earliest. It can be seen from the summer schedule of airlines filed for 60 departures in 2020 against 35-40 departures scheduled in 2019 summer schedule.
Electrical Installations/ Air Conditioners	Dismantling packing, transportation/ shifting, unpacking reinstallation and commissioning of 3 No. escalator	90.00	132.00	42.00	Rs. 132 lakhs are the actual amount of cost incurred in respect of Dismantling packing, transportation/ shifting, unpacking reinstallation and commissioning of 4 escalators. Keeping inflation and some unforeseeable expenditure into consideration, actual cost incurred is more compared to the projected cost.
Electrical Installations/ Air Conditioners	Misc.- Electrical Work	103.03	254.56	151.53	Breakup of Misc. Electrical work as per AERA Order has not been defined item wise keeping the unforeseen requirements and site condition requirement. Actual expenditure is mainly on account of Illuminated flag on 100 ft monumental flag post, SITC of led light fixtures, Gas suppression system in IT panels server room, procurement of Signages, capitalize SITC of HT cables, Split ac water cooler dewatering pump and other electrical items. Selection process is through E tender and the work is awarded to the lowest bidder.





Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
		(Rs. in lakhs)			
Furniture & Fixtures: Other than Office	Furniture for PAX Facility	15	88.27	73.27	Breakup of Furniture for Pax Facility as per AERA Order has not been defined item wise keeping the unforeseen requirements and site condition requirement. Actual Furniture during 2017-18 was mainly on account of Furniture to CISF, Inauguration plaque and inspection/stamping table, providing and placing traffic barricades etc. Actual Furniture during 2018-19 was mainly on account of Replacement of entrance mats at entrance gate of arrival and departure area, procurement of table and chairs sets with in the arrival area for passenger facilitation. The quantification of the furniture has been decided based on passenger throughput and peak hours requirement which has been increased over a period of time. Selection process is call of tender and the work is awarded to lowest bidder.
X Ray Baggage System	In-Line XBIS (CTX)	1000.00	1831.00	831.00	In-Line X -Ray baggage is the security equipment for baggage screening and the responsibility of the airport operator to provide the same. AUCC has been called for the same. Selection of contractor is through e-tender and the same is awarded based on lowest quote.
X Ray Baggage System	Hand Baggage XBIS	174.25	221.11	46.86	X Ray machine was transferred from AAI under Asset transfer being a holding of CHIAL and also been acquired on lease model during year 2017-18. The capital expenditure was incurred as per the real time requirement of asset keeping into account the passenger





Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
		(Rs. in lakhs)			
					facilitation. Selection process is call of tender and the work is awarded to lowest bidder.
X Ray Baggage System	Baggage Handling System	-	240.99	240.99	Rs. 241 lakhs are capitalized for baggage handling system - Arrival carousels. Due to increase in traffic, capex was incurred to the international side of arrival area for the smooth passenger movement.
Building Terminal	ADDITIONAL COST OF TERMINAL BUILDING TO AAI	-	383.84	383.84	This was unforeseen expenditure as the same was communicated from AAI - as remaining to be paid to contractor for terminal building - CHIAL's share.
Apron	Apron and Linked Taxi Track - Resurfacing of Runway	-	359.19	359.19	After the resurfacing of runway, there was level difference in the taxi track on CHIAL side connecting the Runway. Accordingly resurfacing/ merging of Taxi Track work has been carried out from the contractor of IAF at the tender rate of IAF.

**Annex 2 (a): Items where cost incurred was greater than approved**

Asset Head	Asset description	As approved	As incurred	Variance
		(Rs. in Lakhs)		
Machinery & Equipment	DFMD	20	36.26	15.87
Machinery & Equipment	Explosive Trace Detectors	96	98.38	1.89
Tools & Equipment	Office Equipment	6	13.34	7.34
Vehicles – Security	Dog Squad Vehicle	15	15.33	0.33
Electrical Installation/Air Conditioners	One PBB	540	832.22	292.22
Electrical Installation/Air Conditioners	Dismantling packing, transportation/ shifting, unpacking reinstallation and commissioning of 3 No. escalator	90	132.00	42.00
Electrical Installation/Air Conditioners	Misc.- Electrical Work	103	200.64	97.61
Furniture & Fixtures: Other than Office	Furniture for PAX Facility	15	88.27	73.27
X Ray Baggage System	In-Line XBIS (CTX)	1,000	1,831.23	831.23
X Ray Baggage System	Hand Baggage XBIS	174	462.11	287.86
	<b>TOTAL</b>	<b>2,060</b>	<b>3,710</b>	<b>1,650</b>





**Annex 2 (b): Items where cost incurred was less than approved cost**

Asset Head	Asset description	TOTAL	TOTAL	TOTAL
		(Rs. in Lakhs)		
Apron	Ramp Equipment Area	43.45	38.49	4.96
Roads, Bridges & Culverts - CISF Security	Watch Tower & Perimeter Road	43.53	42.19	1.34
Building Terminal	Construction of Commercial Fitouts and bulk heads	150.00	139.26	10.74
Building Terminal	Monorail System for Façade Maintenance	503.00	478.96	24.04
Building Terminal	Other Miscellaneous Civil Work	568.19	127.76	440.43
Building - Temporary	Prefab Structure for CISF	550.00	468.31	81.69
Computers & I.T. Hardware & Access	Computers & Other IT Items	57.00	36.39	20.61
Computers & I.T. Hardware & Access	Miscellaneous Works - Airport System - Networking/LAN etc.	30.00	1.12	28.88
Machinery & Equipment	Bomb Detection & Disposal Systems	500.00	8.72	491.28
Tools & Equipment	Walkie Talky	4.92	4.71	0.21
Vehicles – Security	Motorcycle for CISF	1.40	0.68	0.72
Electrical Installation/Air Conditioners	Perimeter Lighting	67.00	63.10	3.90
Electrical Installation/Air Conditioners	Providing electrical connection for CHIAL offices at Upper Level	70.00	50.04	19.96
Furniture & Fixtures: Other than Office	CISF Furniture	5.00	4.27	0.73
	<b>TOTAL</b>	<b>2,593.49</b>	<b>1,464.00</b>	<b>1,129.49</b>

**Annex 2 (c): Projects which were not approved but incurred during First Control Period**

Asset description	TOTAL (Rs. in Lakhs)
Extension Of Apron for Night Parking	1,676.77
Rubber Speed Bumps	4.41
Rubber Road Barriers	1.43
Additional Cost of Terminal Building To AAI	383.84
Plinth Protection Along Perimeter Road	36.47
Miscellaneous Asset ≤ Rs. 100,000	4.09
Misc. Machinery & Equipment	6.10
CCTV	11.58
Apron And Linked Taxi Track - Resurfacing of Runway	359.19
Miscellaneous Asset ≤ Rs. 100,000	2.61
Misc. Machinery & Equipment	3.39





Asset description	TOTAL (Rs. in Lakhs)
Miscellaneous Asset ≤ Rs. 100,000	10.08
Capitalize Construction Of 02 Nos Fix Finger Doc 30/09/2020	509.43
Installation Of 04 Nos of CCTV Systems along With Accessories at CHIAL Doc 24/05/2020	0.42
Capitalize And pay for Electrical Panel for Escalator Power Supply Connection and Other Associated Electric Works Doc 04/05/2020	2.45
Capitalize And Payment For 2Nd Final Ra Bill for Electrical Works Like SITC of High Mast Street Light Poles Supply and Laying of Cable Lt Panel Runway Cable Etc Doc 04/05/2020	51.06
Procurement Of 03 Nos Face Recognition Biometric Attendance System Machine Doc 19/03/2021	0.30
Payment For Purchase Of 02 Nos Alcohol Breath Analyzer Doc 19/10/2020	0.78
<b>TOTAL</b>	<b>3,064.41</b>

**Annex 2 (d): Projects approved but costs not incurred in First Control Period**

Asset Head	Asset description	TOTAL (Rs. in Lakhs)
Building Terminal	Canopy at Entry Point along with shed for parking QRT vehicle of Punjab police	100.00
Building Terminal	Construction of Aero Bridge Fixed Finger	250.00
Building Terminal	Additional Sitting Facilities in Admin Office and Fencing and approach road.	100.00
Building Terminal	Raising Height of City Side Boundary	65.00
Building Terminal	VIP Lounge at Arrival Domestic side with toilet and furniture	100.00
Building - Temporary	Temporary Establishment for Misc. Opl Req.	120.00
Computers & I.T. Hardware Access	Creation of Website	3.00
Machinery & Equipment	Video Conferencing System for AHCR	170.00
Machinery & Equipment	Electronics (TV, Wi-Fi, EPABX, Phones etc.)	10.00
Machinery & Equipment	Hydraulic Tyre Killers	30.00
Machinery & Equipment	Tyre Killer & Bollads (2 Nos. Automated)	50.00
Machinery & Equipment	Mobile Morcha	4.00
Machinery & Equipment	Other Miscellaneous Security Items	15.00
Machinery & Equipment	TV/PA System for AVSEC Training Room	2.50
Machinery & Equipment	Access Control System (Bio Metric)	35.00
Tools & Equipment - Security	Under Vehicle Mirrors	11.00
Electrical Installation/Air Conditioners - Security	Entertainment Systems	25.00
Electrical Installation/Air Conditioners - Security	SITC of 1 No. Passenger Escalator	60.00
Electrical Installation/Air Conditioners - Security	Providing Carbon Flooding System	50.00
Electrical Installation/Air Conditioners - Security	CCTV For Isolation Bay Cargo etc.	25.00
<b>Total</b>		<b>1,225.50</b>

