

F. No. AERA/20010/MYTP/AAI-CALICUT/CP-III/2021-26

Order No. 39/2021-22



**AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

**IN THE MATTER OF  
DETERMINATION OF AERONAUTICAL TARIFF FOR  
CALICUT INTERNATIONAL AIRPORT (CCJ)  
FOR THE THIRD CONTROL PERIOD  
(01.04.2021 - 31.03.2026)**

**Date of issue: 11.02.2022**

**AERA Building  
Administrative Complex  
Safdarjung Airport  
New Delhi - 110003**





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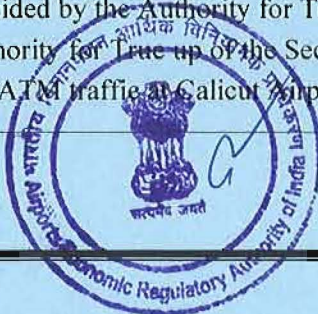




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**GLOSSARY**

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
AERA	Airports Economic Regulatory Authority of India
ANS	Air Navigation Services
ARR	Annual Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CFT	Crash Fire Tender
CHQ	Corporate Headquarters
CISF	Central Industrial Security Force
DGCA	Directorate General of Civil Aviation
FIA	Federation of Indian Airlines
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GoI	Government of India
GST	Goods and Services Tax
IDC	Interest During Construction
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-aeronautical revenue
NOTAM	Notice to Airmen
PCN	Pavement Classification Number
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RHQ	Regional Headquarters
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metres
UDF	User Development Fees
YPP	Yield per Passenger





## 1. INTRODUCTION

### 1.1 Background

- 1.1.1 Calicut International Airport (CCJ or 'Calicut Airport') located in Karipur, Malappuram district in the state of Kerala, is currently the 17<sup>th</sup> busiest airport (as per data on top 50 busiest airports for FY 2019-20)<sup>1</sup> in India by passengers handled and 17<sup>th</sup> busiest airport (as per data on top 50 busiest airports for FY 2019-20)<sup>2</sup> by air traffic movements. It is owned and operated by Airports Authority of India.
- 1.1.2 The airport was inaugurated on April 13, 1988 and received international airport status on February 2, 2006. It serves the Malabar region of Kozhikode, Malappuram, Wayanad and Palakkad. It is situated 28 kilometres away from Kozhikode city and 25 kilometres away from Malappuram city.
- 1.1.3 It is one of the few airports in the country with tabletop runway.

### 1.2 Calicut International Airport (CIA)

- 1.2.1 The total area of Calicut Airport is 378.45 acres and it has three terminals at present:
- Domestic – The domestic terminal has the terminal area of 14,368 Sq.m., with the capacity to handle 500 passengers during peak hours.
  - International – The international terminal has the terminal area of 23,290 Sq.m., with the capacity to handle 1,500 passengers during peak hours
  - New International Arrival Block (NIAB) was commissioned during the FY 2018-19, with a terminal area of 18,878 Sq.m.
- 1.2.2 As per the AERA Act 2008 read with Amendment 2019 and 2021, "major airport" means any airport which has, or is designated to have, annual passenger throughput in excess of three and a half million or any other airport or a group of Airports as the Central Government may, by notification, specify as such. Calicut International Airport is a major airport which was assessed to handle passenger capacity of 3.5 MPPA in the year 2017. Subsequently, in March 2019, a new International Arrival Hall having an area of 7,000 S.q.m. was operationalized, due to which international passenger area had increased. With the enhancement of area, modification of terminal building with addition of Inline X-Ray machines, increased number of check-in counters, immigration counters etc., the designated capacity of Calicut International Airport has been enhanced from 3.5 MPPA to 5.0 MPPA. The number of passengers for the FY 2019-20 had been around 3.22 MPPA
- 1.2.3 The length of the Airport's Runway is about 2,860 metres and it has 4 taxi tracks and 12 apron bays. The total area of car parking is about 12,542.49 Sq.m.

### 1.3 Cargo Operations

- 1.3.1 The following Cargo airlines fly to the Calicut Airport:

- |                         |                |
|-------------------------|----------------|
| • Gulf Air Falcon Cargo | • Saudia Cargo |
| • Qatar Airways Cargo   | • SpiceXpress  |

<sup>1</sup> As per data on top 50 busiest airports for FY 2019-20, published by AAI

<sup>2</sup> As per data on top 50 busiest airports for FY 2019-20, published by AAI





## 2. TARIFF SETTING PRINCIPLES

### 2.1 Background

2.1.1 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 Authority authorized by it in this behalf;*
- e) *To call for such information as may be necessary to determine the tariff under clause(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.*

2.1.2 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

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

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

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'.

2.1.3 Based on ARR, Yield per passenger (Y) is calculated as per the formula given below:

$$\text{Yield per passenger}(Y) = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 VE_t}$$

- Where,  $PV(ARR_t)$  is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.

$VE_t$  is the passenger traffic in year 't'.

2.1.4 The Authority's Orders applied in the tariff decisions in this Order are as follows:

- i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and
- ii. Order No. 05 dated 02.08.2010 ((Regulatory philosophy and approach in Economic Regulation of the services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 (Terms and conditions for determination of tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts).
- iii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iv. Order No. 14/2016-17 dated 23.01.2017 (Aligning certain aspects of AERA's regulatory approach with the provisions of the National Civil Aviation Policy – 2016).
- v. Order No. 20/2016-17 dated 31.03.2017 (Allowing concession to RCS flights under Regional Connectivity Scheme (RCS)).
- vi. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 (In the matter of determination of useful life of Airport assets).
- vii. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

## 2.2 Revenues from Air Navigation Services (ANS) and Cargo

2.2.1 AAI provides Air Navigation Services (ANS) in addition to landing, parking and other Aeronautical services at Calicut Airport. AAI has submitted that the tariff proposal does not consider revenues, expenditure, and assets on account of ANS. This Tariff Order discusses the determination of tariffs for Aeronautical services at the airport excluding ANS.





- 2.2.2 AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), its wholly owned 100% subsidiary and the MYTP submitted by AAI does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement.
- 2.2.3 This Tariff Order discusses the determination of tariffs for Aeronautical services at the airport excluding Cargo Operations. The tariff for Cargo Operations shall be determined separately since the operations are carried out by a separate Legal Entity.

### 2.3 Past tariff determination history

- 2.3.1 A brief on the timeline of events for the Second Control Period is as follows:

- i. AAI submitted a proposal for Calicut International Airport for revision of tariffs of Second Control Period for Aeronautical services, for the Authority's consideration and approval on March 8, 2017.
- ii. 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 AAI for Calicut International Airport. The Authority's consideration of the proposal and its views in respect of all the relevant issues were placed for Stakeholders' consultation vide Consultation Paper No. 07/2017-18 dated June 16, 2017 and the meeting with the Stakeholders for inviting their responses was held on July 3, 2017.
- iii. 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 Calicut International Airport and determined the Aeronautical tariff vide its Order No. 9/2017-18 dated August 4, 2017 in the matter of Determination of Aeronautical Tariff in respect of Calicut International Airport for the Second Control Period (April 1, 2016 - March 31, 2021) with revised tariffs effective from September 1, 2017.

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

- 2.4.1 AAI filed its MYTP submissions for Calicut International Airport for the Third Control Period i.e., from FY 2021-22 to FY 2025-26, vide their letter dated March 8, 2021. The document is available on the AERA's website along with the Consultation Paper. The Authority as part of its examination of the MYTP had raised queries and sought clarification on the assumptions used / discrepancies in the MYTP submitted by AAI. Pursuant to the above queries raised by the Authority, AAI had submitted a revised MYTP on June 16, 2021 by making revisions to certain building blocks such as RAB, computation of True up for the previous Control Period and the ARR for the current Control Period. The Authority has reviewed the revised MYTP submitted by AAI and has considered the same in its examination of the regulatory building blocks.
- 2.4.2 AAI had submitted MYTP for Calicut International Airport with estimated figures of FY 2020-21. After Stakeholders' Consultation process, AAI has submitted the actual financials for FY 2020-21 for Calicut International Airport, vide their email dated December 24, 2021. The Authority has considered the same in its examination of regulatory building blocks, explained in this Tariff Order.
- 2.4.3 The Authority had appointed an Independent Consultant, M/s R. Subramanian & Co., LLP to assess the MYTP submitted by the Airport Operator of Calicut International Airport. Accordingly, M/s R. Subramanian & Co., LLP 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 the determination of tariff and ensuring that, the treatment





given to it is consistent with the Authority's methodology, approach etc.

- 2.4.4 After examination of MYTP and other details submitted by AAI, Authority issued Consultation Paper No. 17/2021-22 dated October 7, 2021. Following the release of the Consultation Paper, the Authority had convened a meeting of stakeholders on October 25, 2021. The minutes of the meeting are available on AERA's website.
- 2.4.5 The Authority also invited formal comments from all stakeholders on the issues and proposals presented in its Consultation Paper No. 17/2021-22.
- 2.4.6 The following stakeholders have provided their comments on the Consultation Paper No. 17/2021-22 which are available on AERA's website:
- Airports Authority of India (AAI)
  - Federation of Indian Airlines (FIA)

Table 1: 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
Methodology for Tariff Determination	FIA
True of Second Control Period	AAI and FIA
Traffic for the Third Control Period	AAI and FIA
Regulatory Asset Base and Depreciation for the Third Control Period	AAI and FIA
Fair Rate of Return for the Third Control Period	FIA
Inflation for the Third Control Period	No comments
Non-aeronautical revenue for the Third Control Period	FIA
Operation and Maintenance Expenses for the Third Control Period	AAI and FIA
Taxation for the Third Control Period	No comments
Return on Land Cost for the Third Control Period	AAI and FIA
Quality of service for the Third Control Period	No comments
ARR for the Third Control Period	AAI and FIA
Aeronautical Revenue for the Third Control Period	FIA

- 2.4.7 No inputs were received from MoCA as part of the consultation process.
- 2.4.8 The counter comments from AAI on the comments from other Stakeholders were received on November 22, 2021. Thus, the Stakeholders' Consultation process concluded on the receipt of counter comment from AAI on November 22, 2021.
- 2.4.9 The Authority has examined the various comments and observations of stakeholders along with submissions made by the Airport Operator (AAI) to finalise its decisions pertaining to various





regulatory building blocks, based on which this Tariff Order is being issued.

## **2.5 Stakeholders' comments on the process of determination of tariff for the Third Control Period**

- 2.5.1 During the stakeholders' consultation process, the Authority has received comments/ views from the stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to the process of determination of tariff for the Third Control Period. The comments by stakeholders are presented below:

### **Other Stakeholders' comments on Revenues from Air Navigation Services and Cargo Services**

- 2.5.2 FIA has submitted that

*"as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), "aeronautical services means any services provided-*

- i. For navigation, surveillance and supportive communication thereto for air traffic management.*
- ii. for the cargo facility at an airport.*

*It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services, Cargo services (100% revenue accruing to AAICLAS) should form part of aeronautical revenues and accordingly AERA should take into account of the corresponding revenue and revise the tariff card."*

### **AAI's responses to other stakeholders' comments on Revenues from Air Navigation Services and Cargo Services**

- 2.5.3 AAI has submitted that the tariff determination for airports by AERA is done only for the aeronautical charges collected by the AAI major airports. Tariff for air navigation and cargo services is separately determined by MoCA and AERA respectively.

### **Authority's analysis on Stakeholders' comments regarding Revenues from Air Navigation Services and Cargo Services**

- 2.5.4 The Authority has examined the comments raised by FIA regarding consideration of revenues from AAICLAS & ANS and has provided its views as given hereunder:

- i. Revenue from AAICLAS:** The Authority carries out a separate exercise for determination of tariff for cargo handling services, wherever these services are provided by Independent Service Providers (ISP) other than the Airport Operator. The Authority considers expenses, revenues, and assets pertaining to these services separately while determining tariff for these services. Under the current exercise of determination of Aeronautical tariff for the Airport operations, the Authority has considered the earnings accruing to AAI by way of revenue share (which is 30% of revenue from AAICLAS) and rent from these service providers.
- ii. Revenue from ANS:** Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the revenues from ANS.





## **2.6 Construct of the Tariff Order**

- 2.6.1 The background of the Authority's tariff determination process is explained in Chapter 2 of this Order together with Stakeholders' comments on the manner of tariff determination and Authority's analysis on the same.
- 2.6.2 Chapter 3 lists out AAI's submissions regarding true up for the Second Control Period for Calicut International Airport with respect to specific issues, followed by a summary of the Authority's current examination as set out in Consultation Paper No. 17/2021-22. Thereafter, comments of AAI and other Stakeholders, counter comments of AAI on other stakeholders' comments, Authority's examination and final decisions are set out.
- 2.6.3 Chapters 4- 12 discuss AAI's submissions and the Authority's examination of AAI's submissions along with its proposals with respect to various building blocks pertaining to the Third Control Period as set out in Consultation Paper No. 17/2021-22. Thereafter, comments of AAI and other stakeholders, counter comments of AAI on other stakeholders' comments, Authority's examination and final decisions are set out.
- 2.6.4 Post the analysis and discussion on various building blocks including true up for the Second Control Period, Chapter 13 presents the revised Aggregate Revenue Requirement as determined by the Authority based on the various decisions of the Authority.
- 2.6.5 Chapter 14 presents the Aeronautical revenue and the final decision of the Authority on tariff for the Third Control Period. The Tariff Card for Calicut International Airport to be charged in the Third Control Period is given in Annexure I.
- 2.6.6 Chapter 15 summarizes Authority's decisions regarding each of the regulatory building blocks.





### 3. TRUE UP FOR THE SECOND CONTROL PERIOD

#### 3.1 Key aspects pertaining to true up of the Second Control Period

3.1.1. AAI has in its MYTP, given its proposal for true up under the following building blocks:

- Regulatory Asset Base
- Aeronautical depreciation
- Operation and Maintenance Expense
- Non-aeronautical revenue

3.1.2. The Authority has examined the issues in detail and covered the analysis as follows:

- Record AAI's submission regarding different regulatory building blocks for true up of the Second Control Period
- Recap of the Authority's decisions regarding building blocks in the Tariff Order of the Second Control Period
- Provide the Authority's examination and proposals regarding the true up calculation of each regulatory building block for the Second Control Period as per the Consultation Paper.
- Detail the Stakeholders' comments on different regulatory building blocks during the Consultation stage and AAI's response to Stakeholders' comments.
- Provide the Authority's analysis and decisions after reviewing stakeholders' comments and AAI's responses regarding different regulatory building blocks.

#### AAI's submission on True up for Calicut International Airport for the Second Control Period

3.1.3. AAI had submitted the following shortfall of ₹ 383.56 Crores for the Second Control Period for Calicut International Airport, as part of its MYTP submission for the Third Control Period:

Table 2: True up for Second Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
<b>Total Revenue from Regulated Services (a)</b>	<b>43.25</b>	<b>82.18</b>	<b>118.95</b>	<b>127.79</b>	<b>33.07</b>	<b>405.24</b>
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	11.28	12.48	15.96	14.49	3.99	58.20
Operating Expenditure (c)	61.76	86.96	101.04	117.13	123.90	490.79
Working Capital Interest (d)	0.00	0.00	0.00	0.00	1.53	1.53
Depreciation (e)	12.61	12.59	13.71	20.20	22.39	81.49
Total Expenditure (c) + (d) + (e) = (f)	74.38	99.55	114.75	137.32	147.82	573.81
Regulatory operating Profit (a) + (b) - (f) = (g)	-19.84	-4.89	20.16	4.96	-110.76	-110.37
Capital expenditure (Additions during the year) (h)	36.22	8.25	137.63	50.20	3.51	235.82
Opening RAB (i)	119.72	134.99	258.91	288.92		941.87
Disposals/ Transfers (j)	4.00	0.00	0.00	0.00	0.00	4.00



Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Closing RAB (i) + (h) - (j) - (e) = (k)	141.60	134.99	264.11	288.92	270.05	1,099.67
Average RAB [(i) + (k)] / 2 = (l)	130.66	137.16	199.55	273.91	279.48	1,020.77
Return on Average RAB (l) * 14% (m)	18.29	19.20	27.94	38.35	39.13	142.91
Return on Land (n)	2.98	2.98	3.09	2.82	1.66	13.53
Return on Land for FCP (o)	24.68	0.00	0.00	0.00	0.00	24.68
Tax @ 34.944% (FY18-19) & 25.17% w.e.f. FY 19-20 on (g) = (q)	0.00	0.00	0.00	0.00	0.00	0.00
(Excess)/Shortfall of FCP (r)	-12.86	0.00	0.00	0.00	0.00	-12.86
<b>ARR</b> [(f)+(m)+(n)+(o)+(p)+(q)+(r)]-(b) = (s)	96.19	109.25	129.82	164.00	184.61	683.87
Shortfall (a-s)	52.93	27.07	10.87	36.20	151.55	278.63
Shortfall including return @14% IRR	101.92	45.72	16.10	47.05	172.76	383.56

### 3.2 Authority's examination and proposal regarding True up for the Second Control Period at Consultation stage

3.2.1 The Authority looked into the decisions taken at the time of determination of tariff for the Second Control Period and has then proceeded to examine the same as part of the tariff determination for the current Control Period.

3.2.2 The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 09/ 2017-18 dated August 4, 2017 have been reproduced below:

- Decision No.3b – Traffic Forecast:** The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in Second Control Period while determining tariff for the Third Control Period.
- Decision No. 6b – Capex:** AAI should undertake user stakeholder consultation process for major Capex items as per the Guidelines.
- Decision No. 6c – Capex:** The Authority decides to true up the opening RAB of the next control period depending on the Capex incurred and date of capitalisation of underlying assets in a given year.
- Decision No. 7b – Depreciation:** The Authority decides to consider the recommendation of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.
- Decision No. 8b - RAB:** The Authority decides to true up the RAB of Second Control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority at the time of determination of tariff for the Third Control Period.
- Decision No. 10c – Non-aeronautical revenues:** The Authority decides that Non-aeronautical revenues will be true up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.
- Decision No. 11b – O&M expenses:** The Authority expects AAI to reduce O&M expenditure over a period of time.





- viii. **Decision No. 11c - O&M expenses:** The Authority decides to true up the O&M expenses for 2016-17 to 2020-21 of the 2nd Control Period based on the actuals at the time of determination of tariffs for the Third Control Period
- ix. **Decision No. 12b – Taxation:** The Authority decides to true up the difference between the actual/apportioned corporate tax paid and that estimated by the Authority for the Second Control period during determination of tariffs for the Third Control Period.

### 3.3 True up of Traffic

- 3.3.1 AAI had submitted Passenger Traffic and ATM for Calicut International Airport for the Second Control Period as follows:

Table 3: AAI's submission for Calicut International Airport for True up of traffic for the Second Control Period

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2016-17	4,42,515	22,09,404	26,51,919	15,171	19,747	34,918
2017-18	5,05,271	26,23,912	31,29,183	19,085	24,869	43,954
2018-19	6,12,548	27,48,202	33,60,750	18,688	26,553	45,241
2019-20	5,29,354	27,00,556	32,29,910	6,695	18,660	25,355
2020-21 (Est)	1,85,000	6,06,000	7,91,000	3,200	5,000	8,200
<b>Total</b>	<b>22,74,688</b>	<b>1,08,88,074</b>	<b>1,31,62,762</b>	<b>62,839</b>	<b>94,829</b>	<b>1,57,668</b>

#### Authority's examination and proposal regarding true up of traffic at Consultation stage:

- 3.3.2 The Authority verified the actual Passenger traffic and ATM for the Second Control Period with AAI's website and noted variances in the passenger traffic and ATM submitted by AAI in their MYTP and that reflected in AAI's website. Details of the same are provided in the table below:

Table 4: Actual passenger traffic and ATM for the Second Control Period from AAI's website

Year	Domestic Passengers	International Passengers	Total traffic	Domestic ATM	International ATM	Total ATM
2016-17	4,39,980	22,11,108	26,51,088	3,585	16,141	19,726
2017-18	5,10,972	26,28,460	31,39,432	4,263	20,647	24,910
2018-19	6,12,572	27,48,275	33,60,847	7,897	18,841	26,738
2019-20	5,29,354	27,00,556	32,29,910	6,695	18,660	25,355
2020-21	1,89,140	7,12,872	9,02,012	3,327	5,611	8,938
<b>Total</b>	<b>22,82,018</b>	<b>1,10,01,271</b>	<b>1,32,83,289</b>	<b>25,767</b>	<b>79,900</b>	<b>1,05,667</b>

- 3.3.3 The Authority noted that there are some minor variances in the passenger traffic and wide variances in ATM (between Table 3 & 4) submitted by AAI in their MYTP (as per Table 3) and that reflected in AAI's website (as per Table 4). The Authority upon analysis, noted that there were some errors in updating traffic data in the MYTP.
- 3.3.4 The traffic approved by the Authority in the Tariff Order No. 09/ 2017-18 for the Second Control Period is as mentioned in Table 5.





Table 5: Passenger traffic and ATM approved by the Authority in the Tariff Order for the Second Control Period

Year	Domestic Passengers	International Passengers	Total traffic	Domestic ATM	International ATM	Total ATM
2016-17	4,39,980	22,11,108	26,51,088	3,585	16,141	19,726
2017-18	4,83,978	23,65,886	28,49,864	3,872	17,109	20,981
2018-19	5,32,376	25,31,498	30,63,874	4,182	18,136	22,318
2019-20	5,85,613	27,08,702	32,94,315	4,516	19,224	23,740
2020-21	6,44,175	28,98,312	35,42,487	4,877	20,378	25,255
<b>Total</b>	<b>26,86,122</b>	<b>1,27,15,506</b>	<b>1,54,01,628</b>	<b>21,032</b>	<b>90,988</b>	<b>1,12,020</b>

- 3.3.5 The Authority noted that the actual Passenger traffic and ATM for the first 3 tariff years of the Second Control Period is higher than that approved by the Authority in the Tariff Order for the Second Control Period. The Authority noted that there was a small dip in the actual passenger traffic for the FY 2019-20 and significant variance between the actual passenger traffic for the FY 2020-21 and the projections submitted in the Tariff order for the Second Control Period, due to the adverse impact of the ongoing COVID-19 pandemic.
- 3.3.6 Based on the above analysis, the Authority proposed to consider the actual traffic as per AAI's website for the Second Control Period, as shown in Table 4.

#### Stakeholders' comments on true up of traffic for Second Control Period

- 3.3.7 No comments were received from the Stakeholders on true up of traffic for the Second Control Period.

#### Authority's analysis on stakeholders' comments regarding true up of traffic for the Second Control Period

- 3.3.8 It is noted that no comments were received from the Stakeholders regarding true up of traffic for the Second Control Period. In this regard the Authority has decided to consider the traffic based on actuals for true up of traffic of the Second Control Period, consistent with the proposal made in this regard in the Consultation Paper No. 17/ 2021-22. The traffic considered by the Authority for true up of the Second Control Period is shown in Table 4.

### 3.4 True up of Capital Expenditure and Depreciation

- 3.4.1 Capex approved by the Authority in the Tariff Order for the Second Control Period is ₹ 153.30 Crores. (a)
- 3.4.2 Actual Capex for the Second Control Period is ₹ 235.82 Crores. (b)
- 3.4.3 Variance (b-a): ₹ 82.51 Crores (54%). These have been detailed in the below tables:

Table 6: Capex approved in the Tariff Order for the Second Control Period

		(₹ Crores)					
S. No	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Runways	28.40	0	0	0	0	28.40
2.	Aprons	0	0	0	0	0	0
3.	Roads, Bridges & culverts	0.90	0	0	0	0	0.90





S. No	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
4.	Building – Terminal	0	0	78.60	0	0	78.60
5.	Building – Residential	0.30	0	0	0	0	0.30
6.	Other Building – unclassified	6.20	0	10.00	0	0	16.20
7.	Electrical installations	21.00	7.90	0	0	0	28.90
	<b>Total</b>	<b>56.70</b>	<b>7.90</b>	<b>88.60</b>	<b>0</b>	<b>0</b>	<b>153.30</b>

Table 7: Capital additions during the Second Control Period submitted by AAI for Calicut International Airport

(₹ Crores)

S. No	Asset category	Capex approved by AERA (₹ in Crores)	Actual capex incurred by Calicut International Airport (₹ in Crores)	Remarks
<b>A. Capex incurred towards projects approved by AERA for Second Control Period</b>				
1	Terminal Building (NIAB)	78.61	76.43	Refer Annexure II for item wise details
2	Electrical installation (NIAB)	28.93	28.93	
3	Runway	28.40	33.86	
4	Road, bridges and culverts	0.94	-	
5	Other Building – Unclassified (Refer Note *)	16.15	4.81	
6	Building Residential	0.25	0.18	
	<b>Total Approved Capex (A)</b>	<b>153.28</b>	<b>144.21</b>	
<b>B. Unplanned/ Unapproved Capex incurred by Calicut International Airport during Second Control Period</b>				
7	Electrical Installations (Security related)	-	50.98	Refer Annexure III for item wise capex details
8	Tools and Equipment	-	11.18	
9	Machinery	-	5.21	
10	Vehicles	-	6.26	
11	CFT & Fire fighting Equipment	-	4.36	
12	X-Ray Equipment	-	3.10	
13	Boundary Wall – Operational	-	2.80	
14	Roads, Bridges & culverts	-	2.71	
15	ATM Furniture	-	2.30	
16	Vehicles - Cars & Jeeps	-	0.76	
17	Office Furniture	-	0.48	
18	Office Equipment	-	0.48	
19	Furniture & Fixtures – Trolleys	-	0.46	
20	Security Fencing	-	0.42	
21	Computer Software	-	0.07	





S. No	Asset category	Capex approved by AERA (₹ in Crores)	Actual capex incurred by Calicut International Airport (₹ in Crores)	Remarks
22	Computers & Peripherals	-	0.04	
	<b>Total Unapproved Capex (B)</b>	-	<b>91.60</b>	
	<b>Total Capex incurred (A+B)</b>		<b>235.81</b>	

**Note \*:** It was noted that AAI had incurred ₹ 4.41 Crores for Calicut International Airport towards laying down dedicated water supply, as against the capex approved by AERA for ₹ 6 Crores, in the tariff order for the Second Control Period. The above capex was incorrectly classified as 'Machinery' by Calicut International Airport. The Authority during its examination has correctly reclassified the same under the asset category – 'Other Buildings'.

**Authority's examination and proposal regarding true up of Capital expenditure and depreciation at Consultation stage:**

- 3.4.4 The Authority analysed the variances between Projected Capex and the Actual Capex for the Second Control Period and noted that the variances for the major capital expenditure were primarily on account of the following reasons:

**B7. Electrical Installation (Security related):** The excess spend is on assets such as:

- In Line baggage system (₹ 21.40 Crores) – CTX based Inline baggage handling system was installed in accordance with the latest BCAS Guidelines.
- Passenger Boarding Bridges (PBB) (₹ 5.59 Crores) - Earlier 3 bays were provided with Passenger Boarding Bridges. During the Second Control Period, PBBs were installed in two more bays for improved passenger facilitation
- FIDS/ AOCC (₹ 4.26 Crores) - Flight Data processed Departure and Arrival message in respect of Calicut bound flights are automatically integrated to AOCC for Departure and Arrival timings. AOCC use this data for FIDS display.
- Mini Remotely Operated Vehicle (MROV) (Bomb detection supporting item) (₹ 1.60 Crores)- purchased for increased security
- Immigration Counter (₹ 1.88 Crores) -Electronic gate (e-GATE) installed at the customs inspection area where passengers proceed to after being admitted through immigration. Travelers' identities are confirmed at the kiosk terminal and at exit gate.

**B8. Tools and Equipment:** Purchase of Threat containment vessel for ₹ 8.70 Crores - Part of Bomb Detection and Disposal System (BDDS) - equipment to contain explosive up to 6 tons of Trinitrotoluene multiple times. Containment Vessels are fully enclosed vessels designed to safely transport and test explosive devices.

**B9. Machinery:** Replacement of Diesel Generator (DG) sets (₹ 3.05 Crores) - Replacement of existing DG sets due to completion of its useful life and deteriorated performance

**B10. Vehicles:** Purchase of Rubber Removal Machine (₹5.28 Crores), GCM tractor (₹ 0.75 Crores) for cutting grass. Being a table-top runway, it is mandatory to maintain runway friction value 0.5μ for the operation of code E Aircrafts. Frequent rubber removal has to be carried out on runway especially at the touch down areas, for which the Rubber removal machine is used extensively.

- 3.4.5 Upon analysis of the above Capital expenses, the Authority was of the view that most of these expenses





were incurred by Calicut International Airport for Security or Passenger facilitation purposes to mitigate threats and improve operational needs.

- 3.4.6 The Authority noted that Calicut International Airport has capitalized Financing Allowance of ₹ 7.47 Crores (₹ 2.27 Crores towards project on re-carpeting of runway and ₹ 5.20 Crores towards construction of New International Arrival Block (NIAB)) in the MYTP submitted for the true up of the Second Control Period. However, at the time of submission of the MYTP for the Second Control Period, such Financing allowance was not proposed by Calicut Airport and the Authority also had not approved the same in the Tariff Order issued for Calicut Airport for the Second Control Period. Further, it was noted that the capital expenditure was carried out by Calicut Airport using its own funds. The Authority was of the view that Calicut International Airport being one of the oldest airports in India, would not be eligible for such an allowance on the equity portion of newly funded capital projects.
- 3.4.7 The Authority considered that giving an assured return on the equity investment even on the work-in-progress assets would result in reducing the risks associated with equity investment in capital projects. However, the airport operator is given a fair rate of return on equity when the capital assets are capitalized.
- 3.4.8 Further, the Authority noted that in case of greenfield airports, the airport operator would have to wait for a considerable length of time before getting the return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalise. It was with this consideration that the Authority had earlier provided financing allowance in initial stages to such airports. The Authority noted that Calicut International Airport is a brownfield airport and has lower construction and traffic risk for new construction at the airport. It may also be noted that financing allowance has never been provided in the case of other airports such as DIAL, MIAL and KIAL. Based on the above analysis, the Authority proposed to disallow the Financing allowance of ₹ 7.47 Crores.
- 3.4.9 The Authority also noted that common assets within the Terminal Building were allocated by AAI between Aeronautical and Non-aeronautical categories in the proportion of 95%: 5% (Aeronautical assets: Non-aeronautical assets) or 94%:6% in some cases, during the Second Control Period. The Authority was of the opinion that the terminal building ratio of 5%-6% (Non-aeronautical area to total area) was lesser as compared to the other similar airports such as Varanasi, Amritsar, Trichy, Raipur etc. Hence, the Authority proposed to consider a revised ratio of 8% (Non-aeronautical area to total area) as reasonable, in line with the optimum terminal building ratio of 8%-12% as approved for other similar airports (as also explained in Chapter 5). Accordingly, the common assets within the Terminal Building during the Second Control Period had been apportioned by the Authority in the ratio of 92% : 8% (Aeronautical assets : Non-aeronautical assets).
- 3.4.10 The Authority proposed to consider the actual Capital additions as ₹ 226.60 Crores (after making the above adjustments on Financing allowance and common assets re-segregation) for the purpose of true up for the Second Control Period. The same is detailed in the table below:

Table 8: Capital additions as proposed by the Authority for True up of the Second Control Period

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Runways & Aprons	31.59	0.00	2.8	3.08	0.00	31.59
2	Roads, Bridges & culverts	0.00	0.00	0.00	0.05	2.66	2.71



S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
3	Building – Terminal	0.00	0.00	66.83	2.86	0.00	69.69
4	Building – Residential	0.00	0.00	0.00	0.18	0.00	0.18
5	Other Building – unclassified	0.05	0.00	0.00	4.76	0.00	4.81
6	Electrical installations	7.06	5.95	40.87	25.83	0.00	79.71
7	Security Fencing	0.00	0.00	0.00	0.42	0.00	0.42
8	Boundary Wall – Operational	0.00	0.00	0.00	2.80	0.00	2.80
9	Computers and Peripherals	0.00	0.04	0.00	0.00	0.00	0.04
10	Computer Software	0.04	0.0	0.03	0.0	0.0	0.07
11	Machinery	0.36	0.84	1.97	1.21	0.84	5.21
12	Tools & Equipment	0.05	0.80	9.63	0.71	0.00	11.18
13	Office Equipment	0.10	0.08	0.11	0.19	0.0	0.48
14	Furniture & Fixtures – Trolleys	0.00	0.00	0.45	0.00	0.01	0.46
15	Vehicles	0.13	0.01	6.12	0.00	0.00	6.26
16	Vehicles - Cars & Jeeps	0.34	0.15	0.19	0.08	0.00	0.76
17	Office Equipment	0.11	0.13	0.00	0.23	0.00	0.48
18	ATM Furniture	0.00	0.05	1.45	0.80	0.00	2.30
19	X-Ray Equipment	0.00	0.00	0.00	3.10	0.00	3.10
20	CFT & Fire- fighting equipment	0.00	0.22	0.31	3.83	0.0	4.36
	<b>Total</b>	<b>33.95</b>	<b>8.25</b>	<b>130.77</b>	<b>50.12</b>	<b>3.51</b>	<b>226.60</b>

3.4.11 The depreciation on the above Capex had been recomputed by the Authority as ₹ 80.91 Crores and the same is presented in table below.

Table 9: Depreciation proposed by the Authority for True up of the Second Control Period

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Runways & Aprons	1.62	2.22	2.24	2.33	2.42	10.83
2	Roads, Bridges & culverts	0.15	0.15	0.45	0.45	0.56	1.75
3	Building – Terminal	1.86	1.86	2.32	4.13	4.15	14.33
4	Building – Residential	0.07	0.07	0.07	0.08	0.08	0.38
5	Other Building – unclassified	0.40	0.39	0.39	0.52	0.55	2.25
6	Electrical installations	6.00	5.47	5.06	7.58	9.05	33.16
7	Security Fencing	0.00	0.00	0.00	0.00	0.04	0.04
8	Boundary Wall – Operational	0.04	0.04	0.12	0.14	0.39	0.74
9	Computers and Peripherals	0.01	0.02	0.02	0.01	0.01	0.07
10	Computer Software	0.00	0.01	0.01	0.01	0.01	0.04
11	Machinery	0.53	0.28	0.34	0.45	0.42	2.01





S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
12	Tools & Equipment	0.17	0.19	0.53	0.88	0.92	2.70
13	Office Furniture	0.03	0.03	0.06	0.08	0.09	0.28
14	Furniture & Fixtures – Trolleys	0.00	0.00	0.07	0.15	0.15	0.37
15	Vehicles	0.07	0.08	0.12	0.83	0.82	1.92
16	Vehicles - Cars & Jeeps	0.04	0.09	0.09	0.11	0.11	0.43
17	Office Equipment	0.01	0.03	0.05	0.05	0.10	0.24
18	ATM Furniture	0.09	0.09	0.17	0.34	0.41	1.10
19	X-Ray Equipment	0.20	0.20	0.20	0.40	0.32	1.32
20	CFT & Fire- fighting equipment	1.32	1.30	1.31	1.44	1.58	6.94
	<b>Total</b>	<b>12.60</b>	<b>12.51</b>	<b>13.63</b>	<b>20.00</b>	<b>22.17</b>	<b>80.91</b>

3.4.12 The RAB for the Second Control Period is provided in the Table below:

Table 10: RAB proposed by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Opening RAB (1)	119.72	137.06	132.80	249.94	280.06	
Additions (2) (refer Table 8)	33.95	8.25	130.77	50.12	3.51	226.60
Disposal/Transfers (3)	4.00	0.00	0.00	0.00	0.00	0.00
Depreciation (4) (Refer Table 9)	12.60	12.51	13.63	20.00	22.17	80.91
<b>Closing RAB (5) = [(1) + (2) – (3) – (4)]</b>	137.06	132.80	249.94	280.06	261.40	
<b>Average RAB = [(1) + (5)]/2</b>	128.39	134.93	191.37	265.00	270.73	

#### Stakeholders' comments on true up of the Capital Expenditure, Depreciation and RAB for the Second Control Period

3.4.13 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/2021-22 with respect to true up of the Capital Expenditure, Depreciation and RAB for the Second Control Period. The comments by stakeholders are presented below:

#### AAI's comments on true up of the Capital Expenditure, Depreciation and RAB for the Second Control Period

3.4.14 AAI commented the following on the true up of Capital Expenditure for the Second Control Period for Calicut International Airport





**Disallowance of Financing Allowance**

- i. Direction 5 of AERA (which entails the methodology of aeronautical tariff determination) allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the Equity portion, before the Asset is put to use.

The concept of Financing Allowance, its computation and how the Work in Progress Asset includes the Financing Allowance is provided in Paragraph 5.2.7 of the Direction No.05-2010-11. Extract of the same is provided below:

"5.2.7. Work In Progress assets (a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:

$WIPAt = WIPAt-1 + \text{Capital expenditure} + \text{Financing allowance} - \text{Capital receipts of the nature of contributions from stakeholders (SC)} - \text{Commissioned Assets (CA)}$

Where:

$WIPAt$  = Work in progress Assets at the end of Tariff Year  $t$

$WIPAt-1$  = Work in progress Assets at the end of the Tariff Year  $t-1$

Capital Expenditure= Expenditure on capital projects and capital items made during Tariff Year  $t$ .

The Financing allowance shall be calculated as follows:

$$\text{Financing Allowance} = R_d \times \left( WIPAt-1 + \frac{\text{Capex} - \text{SC} - \text{CA}}{2} \right)$$

Where

$R_d$  is the cost of debt determined by AERA according to Clause 5.1.4.

SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year  $t$ .

CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year  $t$ ."

AERA has further provided an Illustration on Page 28 detailing the working. The extract of the illustration is as under:





*Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.*

		Forecast Work in Progress Assets					
		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening WIP: WIP <sub>t-1</sub>	OW	-	-	-	558	638	-
Capital Expenditure	CE	-	833	521	-	-	-
Financing Allowance	$FA = R_d \times (OW + (CE - CA - SC)/2)$	-	-	37	89	43	-
Capital Receipts	SC	-	800	-	-	-	-
Commissioned Assets	CA	-	633	-	-	681	-
Closing WIP: WIP <sub>t</sub>	$CW = OW + CE - FA - SC - CA$	-	-	558	638	-	-

- The cost of debt,  $R_d$ , used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.
- The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.
- The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.

Further, Para 5.2.5 of Direction No. 05 details the forecasting of RAB wherein the commissioned assets (including the Financing Allowance on the assets, when it was in Work in Progress stage) has been added to RAB and forms part of the closing and average RAB workings. The Illustration 4 in Page 23 is given below:

		Forecast RAB					
		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening RAB <sub>t-1</sub>	OR	22,750	20,500	18,826	16,462	13,998	12,277
Commissioned Assets	CA	-	633	-	-	681	-
Depreciation	DR	2,250	2,307	2,364	2,364	2,402	731
Disposals	DI	-	-	-	100	-	-
Incentive Adjustments	IA	-	-	-	-	-	-
Closing RAB <sub>t</sub>	$CR = OR + CA - DR - DI + IA$	20,500	18,826	16,462	13,998	12,277	11,547
RAB for calculating ARR	$RA = (OR + CR)/2$	-	19,663	17,644	15,230	13,138	11,912

The Clause (d) of Para 5.2.6 defines Commissioned Assets as below:

"Commissioned Assets: Represents investments brought into use during Tariff Year  $t$ , consistent with Clause 5.2.7 herein below."

Thus, from the above clauses it is clear that the Financing Allowance is computed on the Work in Progress balance based on Capital Expenditure incurred which is funded by Equity/Internal accruals and is capitalized as part of Commissioned assets for RAB Computation. In the case of AAI, financing allowance is computed on the equity portion and IDC is computed on the debt portion of the capital spend.

Thus, Direction 5 provides an explicit, detailed elaboration of Financing allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the





Financing allowance are elucidated in detail with examples is contained in the same Direction.

The regulatory principles laid down by AERA and based on which the tariff orders are determined provide a fundamental foundation of the regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated. Following are the examples and extracts of inclusion of financing allowance in RAB by AERA in various Orders:

**CIAL TCP Order:** Vide para 4.4.52 of CIAL order for third control period, for true up of SCP, AERA noted that, in the tariff order for the SCP, it was decided that FA would be trued up based on the final capex. In its MYTP submission, CIAL had proposed an addition of Rs. 11.9 Crores in FY 2021 only as Financing Allowance for true up of SCP. Accordingly, AERA recomputed FA based on actual WIP capitalized and allowed for inclusion in the Order.

**BIAL TCP Order:** Vide para 3.3.78 of BIAL Order for the third control period, AERA has agreed to allow the financing allowance for the second control period.

Financing allowance was approved and given by AERA in the First and Second Control period for BIAL and in second control period order of CIAL.

**MIAL and DIAL:** It is further to be noted that MIAL and DIAL are governed by tariff determination principles set forth in SSA and OMDA. SSA and OMDA do not contain the concept of financing allowance. Hence, AAI submits that these 2 airports are not comparable with AAI airports.

The AERA Act requires AERA to consider "timely investment in improvement of airport facilities"; and "economic and viable operation of major airports". The statement of objects and reasons of the AERA Act requires Authority to encourage investment in airport facilities, create a level playing field and foster healthy competition. The Airports Infrastructure Policy of 1997 and NCAP 2016 also emphasize the need to provide a commercial orientation and encourage private sector participation in the airport sector.

Financing allowance computation is fully in compliance with Direction 5, affirmed by Authority in its various Orders in the past.

Based on the above submissions, AAI submits that by non-consideration of Financing allowance it amounts to violating AERA's own guidelines Further, allowing Financing allowance for private airports and not for AAI airports vitiates the principle of laying a level playing field for all airports – public or private in India and AAI airports would be denied of revenues that they are rightfully entitled to.

AAI therefore requests AERA to consider the financing allowance of Rs. 7.47 Crores computed for SCP additions. Further, AAI requests AERA to also consider these additions by way of financing allowance for depreciation computation and return on RAB accordingly.

**Allocation of ratios for Additions in the Second Control Period**

ii. AAI has submitted that

- "the ratios submitted are based on actual floor space usage and increasing the ratio to 92:8 by Comparing with other airports/generally accepted ratios may not reflect the true ground scenario in Calicut Airport.
- Detailed workings for all the aeronautical ratios applied for various assets during MYTP stage to AERA for its perusal.





- Even in SCP order, the ratio for TBLR was taken as 92.7:7.3 and it was stated that the same would be trued up based on actual aero additions during the SCP.
  - Considering the fact that true up of the ratio was decided to be carried out in the SCP Order, AAI has submitted the aero ratio working based on actual aero additions for SCP".
- iii. AAI has requested AERA to consider the actual ratios as submitted during the MYTP stage for SCP.

**Other Stakeholders' comments on true up of Capital Expenditure, Depreciation and RAB for the Second Control Period**

3.4.15 FIA has submitted the following:

*"We note that Calicut Airport has exceeded the approved Capex for the Second Control Period by approx. 50% which is a very large variation. Although it is mentioned by AERA that most of the expenses were incurred for purposes of security and passenger facilitation, and while AERA has approved almost all the unplanned capital expenditure, the Consultation Paper fails to provide the reasons/justifications as to why such capital expenditure was not anticipated by CCJ Airport at the time of finalization of the capex proposal for the Second Control Period for Calicut Airport."*

*"AERA is requested to discourage such unplanned capex proposals and untimely deviations other than those which may be related to unanticipated safety and security requirements, which resultantly impacts tariff of a subsequent control period in an adverse manner".*

**AAI's response to stakeholders' comments on true up of Capital Expenditure, Depreciation and RAB for the Second Control Period**

3.4.16 AAI has commented the following in response to FIA's comments:

- i. *"AERA has sought various details on the unplanned capital expenditure during MYTP process. The items on which amounts were spent on such unplanned capex has been adequately captured in para 4.4 of the Consultation Paper. In addition to this, the full list of items has also been given in Annexure III of the Consultation Paper.*
- ii. *It is re-iterated by AAI that most of these expenditures which were classified as unplanned are towards enhancing the safety and security of the airport as well as for passenger facilitation. At the cost of repetition, AAI submits that this largely consists of In line baggage screening systems as per latest BCAS guidelines, additional PBBs installed for better passenger movement, upgradation of FIDS, bomb detection system, etc. AAI submits that diligent plans and forecast of capital spend is made by the stations for the control period. However, deviations from the plans based on the requirements arising out of new guidelines, increased passenger traffic, change in circumstances, etc. is inevitable. AAI submits that these are legitimate spends made after various levels of approval within the organization. Depending on the quantum of spend, the regional/central head-quarters are also involved. AAI submits that after careful consideration and discussion at appropriate levels within the organization, the additional unplanned capex was categorized as "essential" and hence approved for purchase."*

**Authority's analysis on stakeholders' comments regarding true up of Capital Expenditure, Depreciation and RAB for the Second Control Period**

- 3.4.17 The Authority has carefully examined AAI's comments on Financing Allowance. Accordingly, the Authority notes the following:





- i. Providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators. Further, this will disincentivize the airport operator from ensuring a timely completion of projects and delivery of services to airport users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.
  - ii. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports. Further, financing allowance for Greenfield airports of BIAL, HIAL, and CIAL was allowed only for the initial stages of their development, after which such allowance was permitted only on the debt portion of the proposed capital expenditure. The Authority also notes that Calicut International Airport being one of the oldest airports in India, would not be eligible for such an allowance on the equity portion of newly funded capital projects.
  - iii. Financing Allowance is a notional allowance and would be different from the actual investment incurred by the Airport Operator which would include the interest during construction among other things. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt.
  - iv. AERA Guidelines, 2011 do not specifically state that financing allowance is to be provided on both equity and debt portion of the capital expenditure. On the other hand, it does give the Authority the mandate to consider any relevant factors for exclusion or inclusion of assets.
  - v. In view of the above the Authority is of the opinion that there is no reason to deviate from the proposal made by it regarding Financing Allowance in Consultation Paper 17/2021-22 and has decided not to provide Financing Allowance on capital projects that were funded out of equity/ own funds.
- 3.4.18 The Authority has noted the comments of AAI on allocation of ratios. The Authority feels that there should be continued efforts by AAI to increase the efficiency in the operation of airports in generating of Non- aeronautical revenue. The Authority decides to consider the ratio of Terminal building as 92:8 (Aeronautical : Non-aeronautical), in line with IMG norms and IATA, as also approved for other similar Airports.
- 3.4.19 The Authority has examined the comments raised by FIA and response of AAI thereon. In this regard, the Authority has reviewed the actual capex incurred by AAI for the Second Control Period and notes that the same were incurred by AAI either to facilitate passengers or for security purposes. The detailed justifications in this regard have been provided under Para 3.4.4, 3.4.5 and Annexure III of the Tariff order.
- 3.4.20 Therefore, the Authority, after taking into account the clarification provided by AAI, keeping in view the service levels to be maintained, passenger facilitation and Compliance to the BCAS Guidelines on Security to mitigate the perceived threats, has considered the CAPEX as was proposed at Consultation stage.





3.4.21 The Authority has reviewed the actual capital additions submitted by AAI for Calicut Airport for the FY 2020-21 (based on the audited financial results) and notes the following:

- i. The total capital additions incurred for FY 2020-21 was ₹ 18.02 Crores, out of which Aeronautical additions amounted to ₹ 17.77 Crores. The Authority had included ₹ 3.51 Crores towards capital additions for FY 2020-21, based on its review of MYTP submitted by AAI for true up of the Second Control Period. The balance ₹ 14.26 Crores (₹ 17.77 Crores less ₹ 3.51 Crores) had been majorly incurred on the following assets:
  - Tools and Equipment (₹ 4.66 Crores) which include installation of Automatic Tray Return system, which was installed for passenger facilitation purposes
  - Electrical installations (3.52 Crores) which include replacement of DG sets and provision of VDGS (Visual Docking Guidance System) to enable parking of aircraft at an airport stand. These were undertaken to meet operational requirements.
  - Roads, bridges and culverts (₹ 3.16 Crores) which include construction of new roads and works towards grading area beyond basic strip and reconstruction of equipment staging area to meet DGCA requirements.
  - Operational boundary wall (₹ 1.40 Crores) which comprises of reconstruction of Compound wall to meet security requirements.
  - Terminal Building (₹ 0.53 Crores) – which comprises of interconnecting international departure area with old International Arrival area to shift immigration counters and provide better facilities to passengers.
  - CFT & Firefighting equipment (of ₹ 0.49 Crores)- which includes revamping of fire-fighting system to ensure safety of passengers.
- ii. The actual Aeronautical capital additions of Calicut International Airport for FY 2020-21 vis-à-vis the projections approved by the Authority and the deviations have been tabulated below:

Table 11: Actual Aeronautical capital additions for FY 2020-21 vis-à-vis Projections

(₹ Crores)

Particulars	Capital Additions projections approved by Authority (A)	Actual Aeronautical Capital additions (B)	Deviation (B-A)
FY 2020-21	3.51	17.77	14.26

Table 12: Asset wise actual Aeronautical capital additions for FY 2020-21

(₹ Crores)

S. No	Particulars	Ref	Amount
	Aeronautical capital additions proposed for FY 2020-21 in Consultation Paper No.17/ 2021-22	A	3.51
	Additional Aeronautical Capital additions for FY 2020-21	B	





S. No	Particulars	Ref	Amount
1.	<b>Tools and Equipment</b>		
	SITC of Automatic Tray Return System (ATRS)		4.51
	SITC-Touchless Document Reader &Face Recognition		0.06
	Other items		0.09
2.	<b>Electrical Installations</b>		
	Provision of VDGS-RLG docking system		1.67
	Replacement of DG Set at operational area Powerhouse-Imperial		0.71
	Retrofitting Air Circuit Breaker		0.34
	Other items		0.80
3.	<b>CFT &amp; Fire-fighting Equipment</b>		0.49
4.	<b>Roads, Bridges and Culverts</b>		
	Grading area beyond basic strip and construction of new road		1.32
	Reconstruction of Equipment Staging area		1.02
	Construction of Peripheral drain in operational area		0.55
	Modification of Car Park		0.28
5.	<b>Operational Boundary Wall</b>		
	Reconstruction of Compound wall		1.40
6.	<b>Terminal Building</b>		
	Internal modification of existing Terminal Building		0.53
7.	<b>Runway, Taxiways &amp; Apron</b>		
	Construction of Fillets for Taxiways A&B		0.26
8.	<b>ATM Furniture</b>		0.09
9.	<b>Office Furniture</b>		0.06
10.	<b>Computer and Peripherals</b>		0.04
11.	<b>Computer Software</b>		0.01





S. No	Particulars	Ref	Amount
12.	Machinery		0.01
	<b>Total (B)</b>		<b>14.26</b>
	<b>Grand Total (A+B)</b>		<b>17.77</b>

- iii. The Authority notes that the above capital additions incurred by AAI for Calicut International Airport for FY 2020-21 was for Security or Passenger facilitation purposes to improve operational needs. Hence, the Authority decides to consider the above assets for FY 2020-21.
- iv. Based on the above analysis, the Authority has re-computed the revised Capital additions, depreciation and RAB for the Second Control Period as provided in the tables below:

Table 13: Capital additions decided by the Authority for True up of the Second Control Period

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Runways & Aprons	25.71	-	2.80	3.08	0.26	31.85
2	Roads, Bridges & culverts	-	-	-	0.05	5.83	5.87
3	Building – Terminal	-	-	66.83	2.86	0.53	70.22
4	Building – Residential	-	-	-	0.18	-	0.18
5	Other Building – unclassified	0.05	-	-	4.75	-	4.81
6	Electrical installations	7.06	5.95	40.87	25.83	3.52	83.23
7	Security Fencing	-	-	-	0.42	-	0.42
8	Boundary Wall – Operational	-	-	-	2.80	1.40	4.20
9	Computers and Peripherals	-	0.04	0.00	-	0.04	0.08
10	Computer Software	0.04	-	0.03	-	0.01	0.09
11	Machinery	0.36	0.84	1.97	1.21	0.85	5.22
12	Tools & Equipment	0.05	0.79	9.63	0.71	4.66	15.84
13	Office Equipment	0.10	0.08	0.11	0.19	0.06	0.54
14	Furniture & Fixtures – Trolleys	-	-	0.45	-	0.01	0.46
15	Vehicles	0.13	0.01	6.12	-	-	6.26
16	Vehicles - Cars & Jeeps	0.34	0.15	0.19	0.08	-	0.76
17	Office Equipment	0.11	0.13	-	0.23	-	0.48
18	ATM Furniture	-	0.05	1.45	0.80	0.09	2.39
19	X-Ray Equipment	-	-	-	3.10	-	3.10
20	CFT & Fire- fighting equipment	-	0.22	0.31	3.83	0.50	4.85
	<b>Total</b>	<b>33.95</b>	<b>8.25</b>	<b>130.77</b>	<b>50.12</b>	<b>17.77</b>	<b>240.85</b>





Table 14: Depreciation decided by the Authority for True up of the Second Control Period

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Runways & Aprons	1.62	2.22	2.24	2.33	2.43	10.85
2	Roads, Bridges & culverts	0.15	0.15	0.44	0.44	1.43	2.62
3	Building – Terminal	1.86	1.86	2.32	4.13	4.18	14.36
4	Building – Residential	0.07	0.07	0.07	0.08	0.08	0.38
5	Other Building – unclassified	0.40	0.39	0.39	0.52	0.55	2.25
6	Electrical installations	6.00	5.47	5.06	7.58	9.58	33.69
7	Security Fencing	-	-	-	0.00	0.04	0.05
8	Boundary Wall – Operational	0.04	0.04	0.12	0.14	0.60	0.95
9	Computers and Peripherals	0.01	0.02	0.02	0.01	0.03	0.09
10	Computer Software	0.00	0.01	0.01	0.01	0.02	0.05
11	Machinery	0.53	0.28	0.34	0.45	0.50	2.09
12	Tools & Equipment	0.17	0.19	0.53	0.88	1.38	3.16
13	Office Furniture	0.03	0.03	0.06	0.08	0.10	0.30
14	Furniture & Fixtures – Trolleys	-	-	0.07	0.15	0.16	0.37
15	Vehicles	0.07	0.08	0.12	0.83	0.82	1.92
16	Vehicles - Cars & Jeeps	0.04	0.09	0.09	0.11	0.11	0.43
17	Office Equipment	0.01	0.03	0.05	0.05	0.10	0.24
18	ATM Furniture	0.09	0.09	0.17	0.34	0.43	1.12
19	X-Ray Equipment	0.20	0.20	0.20	0.40	0.32	1.32
20	CFT & Fire- fighting equipment	1.32	1.30	1.31	1.44	1.63	6.99
	<b>Total</b>	<b>12.60</b>	<b>12.51</b>	<b>13.63</b>	<b>20.00</b>	<b>24.48</b>	<b>83.23</b>

Table 15: RAB decided by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Opening RAB (1) (refer Note*)	119.72	137.06	132.80	249.94	280.06	
Additions (2) (refer Table 13)	33.95	8.25	130.77	50.12	17.77	240.85
Disposal/Transfers (3)	4.00	-	0.00	0.00	-	4.00
Depreciation (4) (Refer Table 14)	12.60	12.51	13.63	20.00	24.48	83.23





Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Closing RAB (5) = [(1) +(2) – (3) – (4)]	137.06	132.80	249.94	280.06	273.34	
Average RAB = [(1) + (5)]/2	128.39	134.93	191.37	265.00	276.70	

Note\*: The opening RAB as on April 1, 2016 has been taken from Table 31 of the Tariff Order No. 9/ 2017-18 for the Second Control Period for Calicut International Airport.

### 3.5 True up of Non-aeronautical revenues

3.5.1 Non-aeronautical revenue approved by the Authority in the Tariff Order for Second Control Period is ₹ 269 Crores (a)

3.5.2 Actual Non-aeronautical revenue earned during the Second Control Period is ₹ 194 Crores (b)

3.5.3 Variance/ shortfall in Non-aeronautical revenue (a-b): ₹ 75 Crores (28%)

Table 16: Non-aeronautical revenue approved by the Authority for the Second Control Period

(₹ Crores)

S. No	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Restaurant & Snack Bar	1.8	2.1	2.4	2.7	3.2	12.2
2	Stalls	1.1	1.3	1.5	1.7	2	7.6
3	Duty Free Shops	13.6	15.5	17.7	20.2	24.2	91.2
4	Advertisement	1.9	2.1	2.3	2.5	3.0	11.8
5	Land Rent	1.6	1.8	1.9	2	2.2	9.5
6	Space Rent	14.9	16.4	18	19.9	23.8	93
7	Airport Admission Ticket	1.2	1.3	1.4	1.6	1.9	7.4
8	Car Parking	1.9	2	2.2	2.5	3	11.6
9	Miscellaneous Income (including Cargo handling)	3.6	3.9	4.3	4.8	5.7	22.3
10	Interest from Staff Advances and Other Income	0.4	0.4	0.5	0.5	0.6	2.4
11	Profit on Sale of Fixed Assets	-	-	-	-	-	0.0
	<b>Total</b>	<b>42.0</b>	<b>46.8</b>	<b>52.2</b>	<b>58.4</b>	<b>69.6</b>	<b>269.0</b>

Table 17: Actual Non-aeronautical revenue for the Second Control Period submitted by AAI for Calicut International Airport

(₹ Crores)

S. No.	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Restaurant & Snack Bar	1.1	1.4	8.0	3.6	0.8	15.0
2	TR Stalls	10.6	15.7	18.6	4.1		60.9





S. No.	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
3	Duty Free Shops	14.8	15.6	16.8	16.4	3.6	67.1
4	Advertisement (Hoarding and display)	1.9	1.7	1.0	0.5	0.1	5.3
5	Land Rent	1.1	0.8	0.8	0.6	0.6	3.8
6	Space Rent	0.0	0.0	0.0	0.0	0.0	0.0
7	Airport Admission Ticket	0.9	1.4	1.2	0.7	0.2	4.4
8	Car Parking	2.0	2.1	2.2	2.4	0.5	9.2
9	Miscellaneous Income (including Cargo handling)	1.6	2.0	2.9	2.4	0.5	9.5
10	Interest from Staff Advances and Other Income	-	-	-	-	-	0.0
11	Profit on Sale of Fixed Assets	-	-	-	-	-	0.0
12	Building Non- residential	3.5	4.4	4.3	2.8	2.8	17.8
13	Car Rentals	0.1	0.2	0.3	0.3	0.1	1.0
	<b>Total</b>	<b>37.6</b>	<b>41.6</b>	<b>53.2</b>	<b>48.3</b>	<b>13.3</b>	<b>194.0</b>

**Notes:**

1. There are wide variances between projections and actuals for revenues from Restaurants & TR stall. In FY 2018-19, the revenue under Restaurants is much higher than the other years (at ₹ 8 Crores) and also the projections.
2. There are variances in the other revenue streams (like advertisement, car parking, admission ticket etc.), which appears on account of drop in the revenues in FY 2020-21 due to COVID-19.
3. Land rent and space rent: There is a severe drop in land rent across all the years, even prior to COVID-19. Further, Space rent is NIL across all the years, although it was projected at ₹ 93 Crores.
4. There are new revenue streams like Building Non-residential and Car rentals, which were not projected earlier.

**Authority's examination and proposal regarding true up of Non-aeronautical revenue at Consultation stage:**

3.5.4 The Authority noted that the variances between the projected and actual Non-aeronautical revenues is on account of the following factors:

- Restaurants and Snack bar:** The revenue projected under this category was for ₹ 12.20 Crores, whereas the actual revenue is ₹ 15 Crores (which is higher than the projections). The revenue for the year 2018-19 was higher than the other years (at ₹ 8 Crores) due to award of Master concession for Food & Beverage (F&B) outlets to the party Lite Bite Foods Private Limited @ ₹ 0.62 Crores. This agreement was in place only for the FY 2018-19 and after that it was terminated in August 2019. Thereafter a new F&B Master Concession awarded in February 2020.
- TR Stall:** As informed by AAI, there had been some minor reclassifications/ remapping of ledgers pertaining to TR Stalls, Space Rent and Building Non-residential. Hence, the projections for TR Stall





and Space rent (totaling to ₹ 100.60 Crores) should be compared with the actual revenue under TR stall and Building Non-residential (totaling to ₹ 78.70 Crores). The variance (between projections and actuals) of ₹ 21.90 Crores is largely attributable to the impact of COVID-19 pandemic in the FY 2020-21 (as the variance in this FY is alone ₹ 18.90 Crores).

- iii. There were variances in the other revenue streams (like advertisement, car parking, admission ticket etc.), which was also on account of drop in the revenues in FY 2020-21 due to the impact of COVID-19 pandemic.
- iv. **Duty Free Shop:** The total amount projected for the Second Control Period is ₹ 91.2 Crores whereas the actual revenue under this category is ₹ 67.1 Crores. The variance was largely attributable to the drop in the revenue in the FY 2020-21 (₹ 20.6 Crores) which was on account of COVID-19 pandemic.
- v. **Land Rent and Space Rent:** The reason for drop in the land rent revenue was on account of land rent rates been frozen for a period of 5 years commencing from FY 2017-18 to FY 2021-22, without any escalation, vide AAI Letter No. AV21012/58/2016/-LM/710 dated December 4, 2017. The actual Space rent had been categorized under the category Building Non-residential.
- vi. **Car Rentals:** Car Rental revenue was projected under Miscellaneous income, whereas the same has now been shown as a separate revenue stream.

3.5.5 After consideration of the above factors, the Authority was of the view that the variance between the projected and actual Non-aeronautical revenue is largely on account of the adverse impact caused due to the COVID-19 pandemic during the FY 2020-21, which is also evidenced by the facts and the figures.

3.5.6 The Authority proposed to consider the actual Non-aeronautical revenue as presented in Table 17 for the purpose of True up for the Second Control Period.

#### **Stakeholders' comments on true up of Non-aeronautical revenue for Second Control Period**

3.5.7 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to true up of the Non-aeronautical revenue for the Second Control Period. The comments by stakeholders are presented below:

#### **AAI's comments on true up Non-aeronautical revenue for Second Control Period**

3.5.8 AAI has commented that the replies provided as part of MYTP have been adequately captured in the Consultation Paper.

#### **Other Stakeholders' comments on true up of Non-aeronautical revenue for Second Control Period**

3.5.9 No comments were received from the other stakeholders on the true up of Non-aeronautical revenue for Second Control Period.

#### **Authority's analysis on stakeholders' comments regarding true up of Non-aeronautical revenue for the Second Control Period**

3.5.10 The Authority reviewed the actual Non-aeronautical revenue submitted by AAI for the FY 2020-21 and has decided to consider the Non-aeronautical revenue for true up of the Second Control Period as shown in the table below:





Table 18: Non-aeronautical revenue decided by the Authority for the Second Control Period for Calicut International Airport

(₹ Crores)

S. No.	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Restaurant & Snack Bar	1.1	1.4	8.0	3.6	0.1	15.0
2	TR Stalls	10.6	11.9	15.7	18.6	2.7	60.9
3	Duty Free Shops	14.8	15.6	16.8	16.4	5.7	67.1
4	Advertisement (Hoarding and display)	1.9	1.7	1.0	0.5	0.07	5.3
5	Land Rent	1.1	0.8	0.8	0.6	0.15	3.8
6	Space Rent	0.0	0.0	0.0	0.0	0.0	0.0
7	Airport Admission Ticket	0.9	1.4	1.2	0.7	0.08	4.4
8	Car Parking	2.0	2.1	2.2	2.4	0.3	9.2
9	Miscellaneous Income (including Cargo handling)	1.6	2.0	2.9	2.4	5.3	9.5
10	Interest from Staff Advances and Other Income	-	-	-	-	-	0.0
11	Profit on Sale of Fixed Assets	-	-	-	-	-	0.0
12	Building Non-residential	3.5	4.4	4.3	2.8	2.0	17.8
13	Car Rentals	0.1	0.2	0.3	0.3	0.3	1.0
	<b>Total</b>	<b>37.6</b>	<b>41.6</b>	<b>53.2</b>	<b>48.3</b>	<b>16.6</b>	<b>197.3</b>

3.5.11 The Authority has decided to consider actual Non-aeronautical revenue as presented in Table 18 for the purpose of true up for the Second Control Period of Calicut International Airport.

### 3.6 True up of Operation and Maintenance (O&M) expenses

3.6.1 O&M expenses approved by the Authority in the Tariff Order for Second Control Period is ₹ 324.10 Crores. (a)

3.6.2 Actual O&M expenses for the Second Control Period is ₹ 490.80 Crores. (b)

3.6.3 Variance (b-a): ₹ 166.70 Crores (34%).

Table 19: O&amp;M expenses approved in the Tariff Order for the Second Control Period

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Calicut International Airport	20.1	25.1	26.9	28.7	30.7	131.5
2	Expenditure for Calicut International Airport employee's retirement benefits allocated at CHQ	4.4	4.7	5	5.4	5.8	25.3





S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
A	Total Payroll expenditure (1+2)	24.5	29.8	31.9	34.1	36.5	156.8
3	Administrative and General Expenditure	3.9	4.3	4.7	5.1	5.6	23.6
4	Apportionment of administration & General expenditure of CHQ/RHQ	10.9	11.4	12	12.6	13.2	60.1
B	Total Administration and General expenditure (3+4)	14.8	15.7	16.7	17.7	18.8	83.7
C	Repair & Maintenance Expenditure (Total)	7.8	8.6	9.5	10.4	11.5	47.8
5	Power Charges	7	7	7	7	7	35
6	Water Charges		0	0	0	0	0
D	Utility and Outsourcing Expenditure (5+6)	7	7	7	7	7	35
E	Other Outflows	0.1	0.1	0.2	0.2	0.2	0.8
	Total (A+B+C+D+E)	54.2	61.2	65.3	69.4	74	324.1

Table 20: Actual O&amp;M expenses incurred for the Second Control Period submitted by Calicut International Airport

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure of Calicut International Airport	21.9	23.0	26.4	32.9	35.2	139.4
2	Expenditure for Calicut International Airport employee's retirement benefits allocated at CHQ	0.8	4.1	8.5	7.6	8.0	29.1
A	Total Payroll expenditure (1+2)	22.7	27.1	34.9	40.6	43.2	168.5
3	Administrative and General Expenditure	3.6	7.0	8.5	10.2	11.2	40.5
4	Apportionment of administration & General expenditure of CHQ/RHQ	17.1	22.9	28.8	38.1	40.0	147.0
B	Total Administration and General expenditure (3+4)	20.7	29.9	37.4	48.3	51.2	187.5
C	Repair & Maintenance Expenditure (Total)	12.6	22.3	17.8	15.3	16.8	84.7
5	Power Charges	5.1	6.2	9.1	11.3	11.3	43.2
6	Water Charges	0.0	0.4	0.5	0.4	0.4	1.8
7	Other charges	0.4	0.5	0.7	0.8	0.8	3.2
D	Utility and Outsourcing Expenditure (5+6+7)	5.5	7.1	10.4	12.5	12.6	48.1
E	Other Outflows	0.2	0.5	0.6	0.5	0.1	1.9
	Total (A+B+C+D+E)	61.8	87.0	101.0	117.1	123.9	490.8





**Notes:**

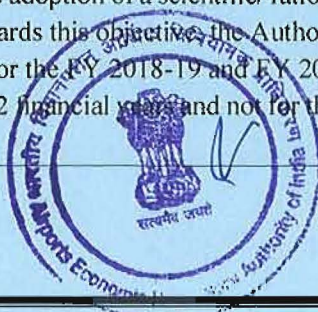
1. *There is a huge variance in Admin & Gen expenses of CHQ/ RHQ of ₹ 147 Crores as against projected expenses of ₹ 60.10 Crores, due to which the total Administration expenses is much higher than the projections.*
2. *The Actual repairs and maintenance expenses of ₹ 84.7 Crores is much higher than the projected expense of ₹ 47.80 Crores*

**Authority's examination and proposal regarding true up of O&M expenses at Consultation stage:**

3.6.4 The Authority examined the variances between the projected and actual O&M expenses and has noted the following:

- i. **Payroll expenses:** Increase in Payroll expenses was attributable to the impact of pay scale revision effected from January 1, 2017. The Authority noted that payroll expenses for FY 2020-21 has been increased by 7% based on the payroll expenses of FY 2019-20 for Non-CHQ/ RHQ staff and that by 5% for CHQ/ RHQ payroll expenses. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposed to estimate the payroll costs for FY 2020-21 by applying 0% growth rate over the FY 2019-20 payroll costs (for both Non- CHQ/ RHQ and CHQ/ RHQ payroll costs).
- ii. The Authority examined the actual **Admin & General expenses and repair & maintenance expenses** for the Second Control Period and noted the following:
  - **CHQ/ RHQ allocation** – The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Calicut International Airport and other airports and noted the following:
    - All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) is allocated to all the AAI airports.
    - All the above expenses including employee benefit expenses were allocated in the ratio of revenues earned by each Airport.
    - Expenses also include one-time or extraordinary items which had been allocated to all AAI airports and are not absorbed by CHQ/ RHQ.
    - Revenues earned from JVCs like DIAL and MIAL were not netted off against the above expenses.
    - Some common expenses were apportioned between ANS and Airport in the ratio of 50:50, although certain expenses like seminars for Airport development are likely to benefit ANS more than the Airport services.
    - Expenses such as legal costs, interest/ penalties were related to some specific airports. However, these had been allocated to the common pool and apportioned to all the AAI airports.

The Authority was of the view that the above process followed by AAI for allocating the expenses is not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. Towards this objective the Authority had examined the major expense components of CHQ and RHQ for the FY 2018-19 and FY 2019-20 (as the expense wise break up was available only for the above 2 financial years and not for the earlier years) and had proposed the





following methodology for allocation of expenses:

Table 21: Analysis of Significant expenses of CHQ for FY 2018-19

(₹ Crores)

S. No	Description of expense	Amount	Authority's Proposed segregation criteria
1.	CAD – Govt. pension	157.78	This is an Employee centric spend and it should be allocated based on headcount of past employees in Calicut Airport. Not considered for allocation, as the quantum of spend is extraordinary in nature.
2.	Grant to AAIOI	7.00	Not considered for allocation, as Officers Institute is in Delhi only and not relatable to other Airports
3.	Employee perks	44.09	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.
4.	Legal expenses (arbitration costs)	12.21	This expense should be analysed case-wise and allocated only to specific airports and hence it has not been considered for allocation.
5.	Interest/ penalties to GoI	22.47	This spend should be allocated based on the responsibility assigned for compliances at CHQ/ RHQ/ Station level Hence, the same is not considered for allocation.
6.	Seminar expenses	8.13	This spend is presently allocated in the ratio of 50:50 (ANS: Airport). However, as the seminars are likely to benefit ANS more than the Airport, the same has been revised to 75% ANS and 25% Airport.
7.	Foreign travel expenses (for conferences)	9.27	This spend is presently allocated in the ratio of 50:50 (ANS: Airport). However, as the conferences are likely to benefit ANS more than the Airport, the same has been revised to 75% ANS and 25% Airport.

Table 22: Analysis of Significant expenses of CHQ for FY 2019-20

(₹ Crores)

S. No	Description of expense	Amount	Authority's Proposed segregation criteria
1.	PRP provisions	115.32	It is an Employee centric spend and it should be allocated based on headcount of the employees in Calicut Airport. The provision has not been considered for allocation, as the details of employee headcount is not available.
2.	PLI Non-Executive staff	67.37	This spend should be allocated based on headcount of non-Executive staff of Calicut Airport. It has not been considered for allocation, as the details of employee headcount is not available.
3.	Employee perks	45.75	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.





S. No	Description of expense	Amount	Authority's Proposed segregation criteria
4.	Grant to AAIOL	2.00	Not considered for allocation, as Officers Institute is in Delhi only and not relatable to other Airports
5.	Interest/ penalties to Gol	9.37	This spend should be allocated based on the responsibility assigned for compliances at CHQ/ RHQ/ Station level Hence, the same is not considered for allocation.
6.	Seminar expenses	8.29	This spend is presently allocated in the ratio of 50:50 (ANS: Airport). However, as the seminars are likely to benefit ANS more than the Airport, the same has been revised to 75% ANS and 25% Airport.

Table 23: Analysis of Significant expenses of RHQ for FY 2018-19 &amp; 2019-20

(₹ Crores)

S. No	Description of expense	Amount	Authority's Proposed segregation criteria
<b>FY 2018 – 19</b>			
1.	CAD – Govt. pension	17.87	It is an Employee centric spend and it should be allocated based on headcount of past employees in Calicut Airport. Not considered for allocation, as the quantum of spend is extraordinary in nature.
2.	Employee perks	8.88	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.
<b>FY 2019-20</b>			
1.	CAD – Govt. pension	35.10	It is an Employee centric spend and it should be allocated based on headcount of past employees in Calicut Airport. Not considered for allocation, as the quantum of spend is extraordinary in nature.
2.	Employee perks	8.59	It is an Employee centric spend and it should be allocated based on headcount of the employees. Due to non-availability of employee headcount, only 50% of the spend has been allocated to Airports.

**Allocation of CHQ/RHQ expenses for FY 2020-21**

The Authority noted that AAI has estimated the allocable expenses of CHQ & RHQ for FY 2020-21 by increasing the amount of expenses allocated for FY 2019-20 by 5%. However, the Authority noted that the following spends of FY 2019-20 can be further rationalized, considering the current Covid-19 pandemic scenario.

- Travel expenses (Inland and International) - Travel was restricted during the FY 2020-21 due to Covid-19 and most of the meetings was conducted virtually. Accordingly, the Authority proposed to consider only 10% of the total travel expense of FY 2019-20 for FY 2020-21.
- Seminar expenses for Airport development - Seminar expenses for FY 2019-20 had not been considered for FY 2020-21, as the same was conducted virtually.

Based on the above methodology, the Authority had derived the revised allocation and the same is presented in Table 24. Also, based on its analysis and re-allocation of CHQ & RHQ spends for FY 2018-19, FY 2019-20 and FY 2020-21 the Authority had proportionately reduced the amount allocated by AAI for FY 2016-17 and FY 2017-18 and the same was also explained in the table below:





Table 24: Re-allocation of CHQ/ RHQ – Admin and Gen expenses for the Second Control Period

(₹ Crores)

Details	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) (A)	17.14	22.91	28.84	38.08	40.00	146.97
Revised allocation of CHQ/RHQ expenses by the Authority (B)	17.14	22.91	18.24	24.45	23.57	
Variance (A-B)	0	0	10.6	13.63	16.42	
Variance %			36.75	35.79	41.06	
Ratio applied for proportionate reduction for based on variance % of subsequent tariff years – (C) (Refer Note below)	35%	35%				
Reduction based on above ratio (A*C) = D	6.00	8.02				
<b>Revised allocation of CHQ and RHQ expenses (A-D)</b>	<b>11.14</b>	<b>14.89</b>	<b>18.24</b>	<b>24.45</b>	<b>23.57</b>	<b>92.29</b>

**Note:** The proportionate ratio for FY 2016-17 and FY 2017-18 (35%) has been arrived at based on the average of the variances noted in the FY 2018-19 (36.75%) and of FY 2019-20 (35.79%). The variance for FY 2020-21 had not been considered as the same is an exceptional event year.

The Authority was of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalise the CHQ/ RHQ expenses being allocated to Calicut International Airport. The Authority recommended AAI to adopt a rational approach while allocating CHQ and RHQ expenses to the individual airports. Also, AAI may include revenues earned from JVCs such as DIAL and MIAL and net off such revenues against the above expenses.

- **Upkeep expenses (categorised under Admin and General expenses)**– The Authority noted that Upkeep expenses have been increased by 10% in the projections made by AAI for the Second Control Period. However, the Authority reviewed the tender document of the contractor (MESS - for upkeep expenses) and noted that the contracted rates are effective for 3 years and the same is extendable for 2 more years. Further, there was no clause on escalation of the contracted rates during the above period. The Authority noted that the actual Upkeep expenses for FY 2016-17 was for ₹ 1.56 Crores and the same has increased to ₹ 5.57 Crores in FY 2020-21. The Authority proposed to consider the actual expenses of FY 2017-18 (of ₹ 3.03 Crores) as the base, as the same is reflective of the increase in the minimum wages revised by the GoI and other contractual requirements w.r.t maintenance of necessary equipment. Considering the actual expenses of FY 2017-18 as the base, the Authority proposes to consider a 10% increase in the upkeep expenses for the last 3 tariff years of the Second Control Period viz., FY 2018-19 to FY 2020-21.

Further, the Authority had drawn reference to its Decision No. 11b on O&M expenditure that the Authority expected AAI to reduce O&M expenditure over a period of time. In view of this decision, the Authority noted that sufficient effort had not been initiated by AAI to reduce its O&M expenses.





- **Repairs and Maintenance expenses:** The Authority noted that projection for Repairs and Maintenance expenses were done for the Second Control Period by escalating the expenses by 10% year on year. However, the actual expenses under each head under Repairs and Maintenance (Civil, Electrical, Computer, IT, Electronics, etc.) had increased across all the tariff years in the Second Control Period. Further, the spend during FY 2017-18 (₹ 22.28 Crores) was phenomenally higher than the other years (variance ranging from 25% to 45%).

The Authority was of the view that AAI should estimate its expenses towards Repairs & Maintenance based on an analysis of its need, essentiality and in accordance with the other physical conditions (such as the current Covid-19 pandemic), such that the variance between the projections and the actual expenses was within the acceptable limits (such as say within 10%)

The Authority was of the view that Calicut International Airport has constructed NIAB, performed re-carpeting of runway and installed electrical fittings during the Second Control Period. As most of these assets are newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposed to allow repairs and maintenance expenses for the Second Control Period to the extent of 6% of the RAB (opening net block of the Second Control Period) and the same is shown in Table 27.

- **Power expenses:** The Authority noted that the power costs incurred during the Second Control Period and claimed by AAI for Calicut International Airport as a part of true up, are net of recoveries made from the Concessionaires. The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarised in the table below:

Table 25: Details of power costs incurred and recoveries made from Concessionaires

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Total power costs (A)	5.90	7.34	10.48	12.63	12.63	48.99
Recoveries from Concessionaires (B)	0.77	1.12	1.34	1.30	1.30	5.84
Recoveries (%) = (B/A%)	13.05%	15.26%	12.79%	10.29%	10.29%	
Net power costs (A-B)	5.13	6.22	9.14	11.33	11.33	43.15

The Authority proposed to consider net power costs as per Table 25 for true up of the Second Control Period.

- **CSR spend:** AAI had shown the amount contributed towards CSR activities (amounting to ₹ 3.34 Crores) for Calicut International Airport as Aeronautical expenses, categorized under Admin and General expenses. The Authority had considered the statutory requirement under the Companies Act, 2013 for computation of CSR expenses, which states that CSR spend should be 2% of the of the average net profits of the company made during the 3 immediately preceding financial years. The Authority derived the Regulatory Profit (before tax) for each tariff year in the Second Control Period for Calicut International Airport and the CSR that may be allowed as per the above





mandatory spend values (2% of the average profits) and the same had been presented in the table below:

Table 26: CSR expenses allowed by the Authority for True up of the Second Control Period  
(₹ Crores)

Particulars	FY 2016-17*	FY 2017-18*	FY 2018-19*	FY 2019-20	FY 2020-21	Total
<b>Total Revenue from Regulated Services (a)</b>	<b>43.25</b>	<b>82.18</b>	<b>118.95</b>	<b>127.79</b>	<b>33.07</b>	<b>405.24</b>
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	11.28	12.48	15.96	14.49	3.99	58.20
Operating Expenditure (other than CSR included in Admin & Gen Expenses) = (c)	50.32	64.25	79.15	100.98	102.36	397.05
Working Capital Interest (d)	0	0	0	0	0.46	0.46
Depreciation (e)	12.6	12.51	13.63	20	22.17	80.91
Total Expenditure (c)+(d) +(e) = (f)	62.92	76.76	92.78	120.98	124.99	478.42
Regulatory operating Profit before tax (a) + (b) - (f) = (g)	-8.39	17.9	42.13	21.3	-87.93	-14.98
Average of previous 3 FY's				17.21	27.11	
2.00% of the average PBT (mandatory spend) = (c)	-	-	-	0.34	0.54	0.88
Amount spent by AAI towards CSR = (d)	-	0.58	1	0.88	0.88	3.34
Amount higher than the mandatory spends = (d-c)	-	0.58	1	0.54	0.34	2.45
Amount allowed by Authority towards CSR	-	-	-	0.34	0.54	0.88

\* Note: The Authority notes that Calicut Airport had incurred losses (average of the immediately preceding 3 Financial Years) for the 1<sup>st</sup> 3 tariff years such as FY 2016-17, FY 2017-18 and FY 2018-19. Hence, the Authority proposes not to allow CSR for the above years.

As shown in the above table, the Authority proposed to allow CSR expenses of ₹ 0.88 Crores for the Second Control Period.

3.6.5 The revised Operation and Maintenance expenses considered by the Authority for the Second Control Period is provided in the table below:

Table 27: O&M expenses as proposed by the Authority for True up of the Second Control Period  
(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure	21.9	23.01	26.38	32.91	32.91	137.11
2	Expenditure for Calicut International Airport employee's retirement benefits allocated at CHQ	0.78	4.12	8.52	7.65	7.65	28.72





S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
A	Total Payroll expenditure (1+2)	22.68	27.13	34.9	40.56	40.56	165.83
3	Administrative and General Expenditure	3.58	6.41	7.08	7.96	8.75	33.78
4	Apportionment of administration & General expenditure of CHQ/RHQ	11.14	14.89	18.24	24.45	23.57	92.29
B	Total Administration and General expenditure (3+4)	14.72	21.3	25.32	32.41	32.32	126.06
C	Repair & Maintenance Expenditure	7.18	8.22	7.97	15	16.8	55.17
5	Power Charges	5.13	6.22	9.14	11.33	11.33	43.15
6	Water Charges	0.05	0.36	0.53	0.41	0.41	1.76
7	Other charges	0.36	0.52	0.69	0.77	0.84	3.18
D	Utility and Outsourcing Expenditure (5+6+7)	5.54	7.1	10.36	12.51	12.58	48.09
E	Other Outflows	0.2	0.5	0.6	0.5	0.1	1.9
	Total (A+B+C+D+E)	50.32	64.25	79.15	100.98	102.36	397.05

### Stakeholders' comments on true up of Operation and Maintenance Expenses for the Second Control Period

3.6.6 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/2021-22 with respect to true up of the Operation and Maintenance Expenses for the Second Control Period. The comments by stakeholders are presented below:

### AAI's comments on true up of the Operation and Maintenance Expenses for the Second Control Period

3.6.7 AAI has commented the following on true up of Administration and General expenses (CHQ and RHQ expenses) for the Second Control Period for Calicut International Airport.

#### CHQ/ RHQ – Administration and General expenses

i. AAI has submitted that:

- AERA has considered the actual CHQ/RHQ expenses for determination of aeronautical tariff charges in case of Amritsar, Varanasi, Trichy and Raipur airports.
- Same methodology/ numbers were used in Calicut Airport. Document detailing the method of allocation of costs was submitted to AERA.
- Further, earlier years data of FY16-17 and FY17-18 as part of replies to queries to AERA vide email dated July 13, 2021.
- AAI has been consistently following the below given approach methodology/ formula for the





purpose of allocation of CHQ & RHQ Expenses to all the Profit Centers. It has adopted the same approach while finalizing and submitting the tariff proposals for AERA in the past.

- a. CHQ Expenses (Net off of Revenue) are allocated to all the profit Centers of AAI on the basis of Revenue earned.
  - b. RHQ Expenses (Net off of Revenue) are allocated to all the profit Centers under the respective region on the basis of Revenue earned.
  - c. Final allocation of CHQ & RHQ Expenses to the profit Centers.
- AERA has in the past considered the above approach in its determination of tariffs for Amritsar, Raipur, Trichy and Varanasi Airport. However, a change in the approach in the case of determination of tariffs for Chennai Airport is proposed now as ".....AERA may choose to consider the lower of actual/approved apportionment expenses as per the Second Control Period Order."
  - As the policy is uniform for AAI as a whole the change in approach / methodology between airports during the Control period would necessarily mean that the CHQ/RHQ apportioned expenses remain under recovered at Chennai Airport
  - The entire process of allocation is based on a metric like revenues/ assuming certain allocation percentages.
  - AAI submits that one time/extra ordinary costs such as CAD pension are costs incurred by AAI and requires reimbursement. AERA guidelines do not preclude reimbursement of any one-time costs.
  - AERA has stated that Revenues earned from JVCs like DIAL and MIAL are not netted off against the above expenses. Akin to ANS services, this is a separate stream of revenues along with its own costs. The revenue earned by AAI by leasing out the said AAI airports are used to cross-subsidize the loss arising out of the non-major airports, majority of which are making losses. Hence, this has not been netted off while allocating costs. Costs already considered in these revenue streams is about 6% of the net cost of CHQ allocated to all stations for FY 19-20.
  - AERA has stated that some common expenses are apportioned between ANS and Airport in the ratio of 50:50, although certain expenses like seminars travel expenses for Airport development are likely to benefit ANS more than the Airport services. AAI has strived to bring in uniformity in allocation of expenses to various streams of revenue and then allocate costs to various stations. Hence, vide the documented methodology, after studying the trend and pattern of expenses, AAI has arrived at these ratios. Assuming that the seminars and other travel expenses will benefit ANS more may not reflect the true trend in these expense heads. Moreover, AAI has shared the ledger extracts of these costs for perusal by AERA. We have not received any further queries on this data.
  - AAI submits that there were inconsistencies observed in changing allocation percentages in some heads and not considering the cost itself in other cases.

**CHQ/ RHQ allocation for FY 2016-17 & FY 2017-18**

3.6.8 AAI has commented the following with respect to CHQ and RHQ allocation for FY 2016-17 & FY 2017-18

- i. "AAI firstly submits that the workings of FY 2016-17 and FY 2017-18 were already submitted to





AERA during the tariff determination process vide email dated 13th July 2021. Hence, citing non-availability of data may not be factual. Due to the foregoing discussion, AAI further submits that it does not agree with the application of a ratio to determine the quantum of deduction of expenses from the total CHQ and RHQ cost for FY 2016-17 and FY 2017-18.

- ii. AAI submits that there seems to be a contradiction in the working of the ratio applied by AERA on FY 2016-17 and FY 2017-18. AAI further reiterates that the actual working of FY 2016-17 and FY 2017-18 were submitted to AERA and is unable to comprehend the application of a ratio to actual workings.
- iii. While AERA on one hand states that items such as CAD pension are one time/ extraordinary in nature, using the same % of deduction as computed for FY 2018-19 and FY 2019-20 (which had such one-time/ extra ordinary costs) for the years FY 2016-17 and FY 2017-18 may not be a justified basis.
- iv. We reiterate that there was no such one-time/extraordinary cost in FY 2016-17 and FY 2017-18. However, it may not be reasonable to apply the % computed based on FY 2018-19 and FY 2019-20 which had a one time/extraordinary cost on FY 2016-17 and FY 2017-18 amounts."

#### **CHQ/ RHQ – Cost Relatedness**

3.6.9 AAI has commented the following with respect to CHQ and RHQ – cost relatedness principles:

- i. "AAI submits that AAI is in full agreement that there ought to be 'cost relatedness' while allowing it to be included in the ARR. AAI submits that not considering costs on account of being 'extra ordinary', 'one time', considering part of the costs due to non-availability of details, considering a different ratio for allocation without basis, etc may not be reasonable. Further, AAI reiterates that one time/extra ordinary costs such as CAD pension are still costs incurred by AAI and requires reimbursement. AERA guidelines do not preclude reimbursement of any one-time costs.
- ii. In view of above, it is requested to go through the submission of CHQ/RHQ allocation and same may be considered in the true up exercise of 2<sup>nd</sup> control period. AAI submits that based on the above computation, the expenses for TCP may also be considered by AERA as per MYTP."

#### **Upkeep Expenses**

3.6.10 AAI has commented the following on Upkeep expenses for the Second Control Period:

- i. "AAI submits that every station of AAI is subject to C&AG audit on a yearly basis. Hence, the costs captured by the airports in their respective trial balances are based on the actual spend. These costs are market driven arrived at by clearly defined tendering mechanisms. Hence, no costs in addition to what is incurred is accounted for in stations.
- ii. The reason for increase in upkeep expenses from FY 16-17 to FY 19-20 which are as follows:
  - The new method of QCBS MESS and ESS covering costly machines were implemented for the betterment in Airport cleaning as well as increase in statutory wages, bonus etc also resulted in major hike in cost.
  - Time to time Minimum wages rate increase is also considered apart from the contract cost.
  - The station award MESS (Mechanized Environmental Support Services) Up-Keep contract on the basis of tender and it is an integrated estimate-based contract for men, material and machines.





- Detailed reasons, documents and workings have been submitted to AERA as part of replies to queries."
- iii. AAI has requested the Authority to consider the actual costs incurred for the second control period without restricting it based on a 10% increase after FY 2017-18.

**CSR expenses**

3.6.11 AAI has commented that:

*"the details of activities on which CSR was spent are as follows:*

- i. *Construction of motorable roads to tribal colonies in Malappuram district devastated by historical rains and flooding; Construction of Hospital building (Homeo dispensary), Kalpakanchery Grama Panchayat"; Unnyalpaparamba water supply scheme for ward no: 6, Pallikkal Grama Panchayat"*
  - ii. *Construction of School building to GMPL School Melangai, kondotty municipality; improvement of infrastructure for Govt High School, Meppadi, Wayanad District*
  - iii. *Cancer Detection cum Community Health Centre, Kondotty"*
- 3.6.12 *"Further these are actual costs spent. It is also to be noted that CSR costs are allocated to a station from the CHQ and hence AAI submits that the CSR computation based on an aero profit ought to be done on a company as a whole basis and not station wise".*
- 3.6.13 AAI has requested the Authority to consider the actual costs incurred for the second control period and not restrict it to CSR working based on the profits of the station.

**Repair and Maintenance expenses**

3.6.14 AAI has commented the following on Repairs and Maintenance expenses for the Second Control Period:

- i. *"AAI submits that every station of AAI is subject to C&AG audit on a yearly basis. Hence, the costs captured by the airports in their respective trial balances are based on the actual spend. To determine the costs, there are detailed tendering mechanisms for every contract. Hence, no costs in addition to what is incurred is accounted for in stations.*
- ii. *The reason for increase in the repair and maintenance cost which are as follows:*
  - *The Special Repairs were carried out for the safety of table-top runway as part of safety as advised by government agencies.*
  - *The R&M Security Equipment's increased mainly due to ILBHS Expenses.*
  - *Detailed reasons for each GL head on a year-on-year basis have been submitted to AERA as part of replies to queries.*
- iii. *AAI requests the Authority to consider the actual costs incurred for the second control period without restricting it to 6% on opening RAB. Terminal Buildings were built more than 20 years back and AAI submits that with ageing of the building and associated equipment, the R&M will only increase over the years. Moreover, applying a ratio on the depreciated WDV will further reduce the cost whereas in reality, the costs will only increase over the years to make good the wear and tear over the years."*





**Other Stakeholders' comments on true up of Operation and Maintenance expenses for the Second Control Period**

- 3.6.15 No comments were received from the other stakeholders on true up of Operation and Maintenance expenses for the Second Control Period.

**Authority's analysis on Stakeholders' comments regarding true up of Operation and Maintenance expenses for the Second Control Period**

**CHQ/ RHQ – Administration and General expenses**

- 3.6.16 The Authority has carefully noted the comments of AAI and has the following views:

- i. Over a period of time the CHQ/ RHQ expenses apportioned are observed to be disproportionate to the direct expenses of the airport and had necessitated the analysis of such expenses.
- ii. The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'.
- iii. The Authority has also reviewed the revised CHQ/ RHQ expense allocation submitted by AAI on November 17, 2021. The Authority notes the apportionment of CHQ/RHQ expenses of AAI as part of MYTP submission made for the True up of Second Control Period and Projections for Third Control Period. In this regard, the Authority observed that there were no clear trends for the apportionment of CHQ expenses over the control periods.
- iv. The Authority analysed the details of CHQ apportionment under the head of Admin & General expenses in the proportion of employees providing support services to the Aeronautical and Non-aeronautical services and bifurcated it into direct Aeronautical, Non-aeronautical and common based on the nature of services being provided by them. The Authority is of the considered view that:

**(a) Pay and Allowances of CHQ & RHQ:**

- AAI has considered pay and allowance of Commercial department at CHQ & RHQ as Aeronautical expenses, whereas such expenses are Non-aeronautical in nature.
- AAI has excluded pay and allowances of employees involved in ATM, CNS & Cargo department at CHQ & RHQ while working out the allocation to Airport. However, no exclusion has been done for support services of department relating to HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- AAI has considered 5% of Expenses (after excluding revenue) towards non aeronautical income. The Authority is of the view that percentage share of expenses should be worked out on total outflow of pay and allowances.
- Manpower of CHQ & RHQ also provide services to Non-aeronautical activities, ATC, CNS cadres at respective airports. Hence, pay and allowances needs to be adjusted accordingly.

Considering all the facts and figures as stated above, the Authority is of the considered view that 20% of pay and allowances of CHQ & RHQ are not incurred for aeronautical





and are to be excluded as they are related to the following:

- Support services to ANS, Cargo & Commercial at CHQ, RHQ & airport
- Officials of Directorate of Commercial

Balance 80% of pay and allowance of CHQ and RHQ should be allocated to Airports as Aeronautical expenses.

**(b) Administration & General Expenses of CHQ & RHQ:**

- AAI has incurred Legal & Arbitration Expenses at CHQ & RHQ level. Authority is of considered view that this expense should be analysed and distributed to stations on case to case basis. Such details have not been provided by AAI. Hence, it has not been allocated to stations. Further, the Authority is of the view that considering the present scenario where the pandemic has significantly impacted the sector, it is imperative for the airport operators to rationalise their costs and plan them in an efficient manner. However, in the absence of details, the Authority, proposes to not consider such expenses to be allocated to the respective airport.
- AAI has paid Interest/penalties to Government of India at CHQ & RHQ level. Authority is of considered view that Stakeholders should not be burdened with interest/penalties paid to Govt. of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses have not been allocated to the respective airport.
- Based on the above methodology, the CHQ/ RHQ expenses allocated to the Calicut Airport have been revised.
- Further, for tariff determination in future, Authority would highlight following issues:
  - a. AAI is allocating CHQ & RHQ expenses to airports in the proportion of revenue earned by them. AAI is managing around 100 non Major airports. Tariff determination at these airports is not on regular basis and invariably revenues at these airports do not cover their expenditures. Resultantly, substantial portion of CHQ & RHQ expenses of these airports is allocated to major airports.
  - b. AAI is not exploiting non traffic avenues fully. Due to same, non traffic revenues remains low at airports. AAI is advised to exploit the potential of non traffic avenues fully so that 30% of the same by cross subsidization could be used to cover aeronautical expenses
  - c. Allocation of CHQ & RHQ expenses on the basis of revenue is not transparent and efficient method, as it brings large variation in such expenses YoY basis due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the major airports has to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect.
  - d. The Authority, therefore expects AAI to examine these issues in detail and devise a robust method for allocation of CHQ & RHQ expenses on priority.

**CHQ/RHQ allocation for FY 2016-17 & FY 2017-18**

3.6.17 As stated above, the Authority has reviewed the revised CHQ/ RHQ expense allocation submitted by





AAI in November 21, which also has the detailed expense break up for FY 2016-17 and FY 2017-18. Accordingly, the CHQ/ RHQ expense allocation for the Second Control Period have been re-assessed and re-allocated to Calicut Airport.

**Upkeep expenses**

3.6.18 The Authority has reviewed the comments of AAI regarding increase in upkeep expenses and is of the following views:

- i. AERA appreciates the efforts of the Airport Operator for adopting QCBS method for improving the service standards, at the same time the Authority has analysed the matter as detailed in Para No. 3.6.4 of the tariff order. The increase in upkeep expenses on account of MESS and minimum wage increase has been considered at Consultation Paper stage.
- ii. Based on the above views, the Authority decides to consider the upkeep expenses as per para 3.6.4 of the Tariff Order.

**CSR expenses**

3.6.19 The Authority has reviewed the CSR spend allocated to Calicut Airport and has allowed it in accordance with the statutory requirements laid out under the Companies Act, 2013. Moreover, tariff is determined airport wise as per AERA Guidelines. Hence, CSR expenditure is to be allowed airport wise as per the applicable provisions and Guidelines.

**Repair and Maintenance**

3.6.20 The Authority has noted AAI's comments and has the following views:

- i. In a competitive environment, it is imperative to run the operations of airport efficiently and adhere to robust economic & accounting principles.
- ii. As also mentioned in the para 3.6.4 of Tariff Order and Note to Table 20, there is significant variance between the Repairs and Maintenance amount approved in the Tariff Order for the Second Control Period (Rs 47.80 Crores) and the actual expenses incurred for the Second Control Period (which is for Rs 84.70 Crores).
- iii. The Authority is of the view that AAI should estimate its expenses towards Repairs & Maintenance based on an analysis of its need, essentiality and in accordance with the other physical conditions (such as the current Covid-19 pandemic), such that the variance between the projections and the actual expenses is within the acceptable limits (such as say within 10%).
- iv. Also, Calicut International Airport has constructed NIAB, performed re-carpeting of runway and installed electrical fittings during the Second Control Period. As most of these assets are newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority decides to allow repairs and maintenance expenses for the Second Control Period only to the extent of 6% of the RAB (opening net block of the Second Control Period) or the actual expenses whichever is less.

**Authority's examination of actual O&M expenses for FY 2020-21**

3.6.21 The Authority has reviewed the actual Operation and Maintenance expenses submitted by AAI for FY 2020-21 based on their audited financial results and has considered the same while truing up the Operation and Maintenance expenses of Calicut Airport for the Second Control Period.





Based on the above analysis, the Authority has decided to consider the actual Operation and Maintenance expenses for true up of the Second Control Period, as presented in the table below:

Table 28: O&M expenses decided by the Authority for True up of the Second Control Period

(₹ Crores)

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Pay roll expenditure	21.90	23.01	26.38	32.91	28.23	132.43
2	Expenditure for Calicut Airport employee's retirement benefits allocated at CHQ	0.78	4.12	8.52	7.65	1.43	22.5
A	<b>Total Payroll expenditure (1+2)</b>	<b>22.68</b>	<b>27.13</b>	<b>34.90</b>	<b>40.56</b>	<b>29.66</b>	<b>154.93</b>
3	Administrative and General Expenditure	3.58	6.41	7.08	7.95	8.04	33.06
4	Apportionment of administration & General expenditure of CHQ/RHQ	12.44	15.78	15.19	24.06	16.78	84.25
B	<b>Total Administration and General expenditure (3+4)</b>	<b>16.02</b>	<b>22.19</b>	<b>22.27</b>	<b>32.01</b>	<b>24.82</b>	<b>117.31</b>
C	<b>Repair &amp; Maintenance Expenditure</b>	<b>7.18</b>	<b>8.22</b>	<b>7.97</b>	<b>15.00</b>	<b>13.97</b>	<b>52.34</b>
5	Power Charges	5.13	6.22	9.14	11.33	7.4	39.22
6	Water Charges	0.05	0.36	0.53	0.41	0.17	1.52
7	Other charges	0.36	0.52	0.69	0.77	0.62	2.96
D	<b>Utility and Outsourcing Expenditure (5+6+7)</b>	<b>5.54</b>	<b>7.10</b>	<b>10.36</b>	<b>12.51</b>	<b>8.19</b>	<b>43.7</b>
E	<b>Other Outflows</b>	<b>0.20</b>	<b>0.53</b>	<b>0.61</b>	<b>0.47</b>	<b>0.07</b>	<b>1.88</b>
	<b>Total (A+B+C+D+E)</b>	<b>51.62</b>	<b>65.17</b>	<b>76.11</b>	<b>100.55</b>	<b>76.71</b>	<b>370.16</b>

**Note:** The O&M expenses approved in the Tariff Order (₹ 370.16 Crores) is lesser than that provided in the Consultation Paper No. 17/ 2021-22 (₹ 397.05 Crores) due to the following:

1. Reduction in CHQ/ RHQ Admin expense allocation by ₹ 8.04 Crores
2. Decrease in payroll expenses, retirement benefits allocated at CHQ by ₹ 10.90 Crores and Administration expenses (other than CHQ/RHQ) by ₹ 0.73 crores after inclusion of actual expenses of FY 2020-21.
3. Decrease in repairs and maintenance expenses by ₹ 2.83 crores and utilities and outsourcing expenses by ₹ 4.39 crores after inclusion of actual expenses of FY 2020-21.

### 3.7 True up of Return on Land

3.7.1 AAI had claimed the following Return on land for Calicut International Airport for the First and Second Control Period:





Table 29: Return on land claimed by Calicut International Airport for the First and Second Control Period

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Return on Land claimed for Second Control Period	2.98	2.98	3.09	2.82	1.66	13.53
Return on Land claimed for First Control Period	24.68	0	0	0	0	24.68
Total						38.21

### Authority's examination and proposal regarding true up of Return on Land at Consultation stage

- 3.7.2 The Order No. 42/ 2018-19 dated March 5, 2019 which prescribes methodology for computing Return on Land states that the same will take effect from the next Control Period (section 4.1.8 of the said order). Hence, the Authority decided to allow Return on Land only for the Third Control Period and not for the earlier Control Periods.

### Stakeholders' comments on true up of Return on Land for Second Control Period

- 3.7.3 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/2021-22 with respect to true up of the Return on Land for the Second Control Period. The comments by stakeholders are presented below:

### AAI's comments on true up of Return on Land for Second Control Period

- 3.7.4 AAI has requested AERA to consider the Return on Land at least from second control period.

### Other Stakeholders' comments on true up of Return on Land for the Second Control Period

- 3.7.5 No comments were received from other stakeholders on true up of Return on Land for the Second Control Period.

### Authority's analysis on Stakeholders' comments regarding true up of Return on Land for the Second Control Period

- 3.7.6 The Authority has reviewed the comments of AAI on Return on Land and would like to clarify that the Authority has considered providing Return on Land for the Third Control Period, in accordance with the terms of the above Order No. 42/ 2018-19, which states that the Return shall be provided on Land only from the next Control Period, which implies that it has only prospective effect. Hence, the Authority decides to allow Return on Land only for the Third Control Period, if eligible, not for the earlier Control Periods.

## 3.8 True up of Aggregate Revenue Requirement (ARR) for the Second Control Period

### Authority's examination and proposal regarding true up of ARR at Consultation stage

- 3.8.1 Based on analysis as detailed in the earlier sections, the Authority had derived the ARR for True up of the Second Control Period (at Consultation stage) as enumerated in the table below:
- 3.8.2 The Authority also reviewed the computation of Working Capital (WC) requirements by AAI and re-computed the WC requirements and interest thereon based on the actual Aeronautical revenue earned





during the Second Control Period and the revised Operation and Maintenance (O&M) expenses derived by the Authority as per Table 27. The revised interest on working capital is presented the table below:

*Table 30: ARR proposed by the Authority for True up of the Second Control Period at Consultation stage*

(₹ Crores)

Particulars	Formula	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Average RAB	a	128.39	134.93	191.37	265.00	270.73	990.42
FRoR	b	14%	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	17.97	18.89	26.79	37.10	37.90	138.66
O&M expenses (refer Table 27)	(d)	50.32	64.25	79.15	100.98	102.36	397.05
Depreciation (refer Table 9)	(e)	12.6	12.51	13.63	20	22.17	80.91
Working Capital Interest	(f)	0	0	0	0	0.46	0.46
Total Expenditure	(g) = (d) + (e) + (f)	62.92	76.76	92.78	120.98	127.09	480.53
Less 30% NAR (Table 17)	(h)	11.28	12.48	15.96	14.49	3.99	58.2
(Excess)/Shortfall of FCP	(i)	-12.86	0	0	0	0	-12.86
ARR	(j) = (c)+(g)-(h)+(i)	56.75	83.17	103.61	143.59	161.00	548.13
Actual Aero Revenue	(k)	43.25	82.18	118.95	127.79	33.07	405.24
Shortfall	(l) = (j-k)	13.50	0.99	-15.34	15.80	125.83	140.79
Compounding rate		14%	14%	14%	14%	14%	
Compounding factor	(m)	1.93	1.69	1.48	1.30	1.14	
Compounded value of Shortfall (including Return on shortfall) as of 31 March 2022	(l*m)	26.00	1.67	-22.72	20.53	143.45	168.93

The Authority based on its analysis of the various building blocks of the Second Control Period has assessed the shortfall of ₹ 168.93 Crores for the Second Control Period to be adjusted to the ARR of the Calicut Airport for the Third Control Period.

#### **Stakeholders' comments on true up of ARR for Second Control Period**

- 3.8.3 No comments were received from the Stakeholders on true up of ARR for the Second Control Period.

#### **Authority's analysis on stakeholders' comments regarding true up of ARR for the Second Control Period**

##### **Aeronautical Revenue for the Second Control Period**

- 3.8.4 The Authority reviewed the actual Aeronautical revenue submitted by AAI for the FY 2020-21 and has decided to consider the Aeronautical revenue for true up of the Second Control Period as shown in the table below:





Table 31: Aeronautical revenue decided by the Authority for True up of the Second Control Period

(₹ Crores)

S. No.	Revenue categories	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
1	Landing charges – Domestic	2.53	3.59	3.97	4.47	2.22	16.78
	Landing charges – International	19.96	28.75	33.40	38.75	11.48	132.34
	Sub total (a)	22.49	32.33	37.37	43.22	13.70	149.11
2	Parking charges – Domestic	0.01	0.04	0.05	0.07	0.60	0.77
	Parking charges – International	0.09	0.21	0.42	0.39	2.13	3.24
	Sub total (b)	0.10	0.24	0.46	0.46	2.73	3.99
3	Passenger Service Fees – Domestic	12.02	6.90	0.00	0.00	0.00	18.92
	Passenger Service Fees – International	0.00	0.00	0.00	0.00	0.00	0.00
	Sub total (c)	12.02	6.90	0.00	0.00	0.00	18.92
4	User Development Fees – Domestic	0.00	2.46	5.95	5.33	1.68	15.42
	User Development Fees – International	0.00	28.17	60.14	61.50	13.79	163.60
	Sub total (d)	0.00	30.63	66.09	66.83	15.47	179.02
5	Oil Throughput Charges (e)	1.24	1.54	1.65	1.54	0.00	5.97
6	Revenue from Land Lease (f)	0.82	0.73	0.73	0.73	0.79	3.80
7	Ground Handling Charges (g)	4.56	7.61	9.44	11.61	2.76	35.98
8	Royalty from CUTE Charges (h)	1.41	2.20	2.54	2.88	0.63	9.66
9	Cargo Revenue share from AAICLAS (30%) = (i)	0.00	0.00	0.66	0.51	0.38	1.55
10	Cargo revenue (j)	0.62	0.00	0.00	0.00	0.00	0.62
	Total (sum a:j)	43.25	82.18	118.95	127.79	36.46	408.63

**ARR for the Second Control Period**

3.8.5 Considering the various decisions of the Authority for the building blocks concerning the Second Control Period after the examination of stakeholders' comments, the true up for the Second Control Period decided by the Authority is as follows:

Table 32: ARR decided by the Authority for True up of the Second Control Period

(₹ Crores)

Particulars	Formula	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Average RAB (refer Table 15)	a	128.39	134.93	191.37	265.00	276.70	
FRoR	b	14%	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	17.97	18.89	26.79	37.10	38.74	139.50





Particulars	Formula	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
O&M expenses (refer Table 28)	(d)	51.62	65.17	76.11	100.55	76.71	370.16
Depreciation (refer Table 14)	(e)	12.60	12.51	13.63	20.00	24.48	83.23
Working Capital Interest	(f)	0	0	0	0	0.46	0.46
Total Expenditure	(g)= (d) + (e) + (f)	64.22	77.68	89.74	120.55	101.65	453.84
NAR (Refer Table 18)		37.60	41.60	53.19	48.30	16.63	197.32
Less 30% NAR	(h)	11.28	12.48	15.96	14.49	4.99	59.19
(Over)/ Under recovery of First Control Period	(i)	(12.86)	0	0	0	0	(12.86)
ARR	(j) = (c)+(g)- (h)+(i)	58.05	84.09	100.57	143.16	135.40	521.28
Actual Aero Revenue (Refer Table 31)	(k)	43.25	82.18	118.95	127.79	36.46	408.63
Under/ (Over) recovery	(l) =(j-k)	14.80	1.91	(18.38)	15.37	98.94	112.65
Compounding rate		14%	14%	14%	14%	14%	
Compounding factor	(m)	1.93	1.69	1.48	1.30	1.14	
Compounded value of Under recovery as of 31 March 2022	(l*m)	28.50	3.23	(27.22)	19.97	112.79	137.28

3.8.6 The Authority notes that there is an under-recovery of ₹ 137.28 Crores in the Second Control Period and has decided to readjust the same in the ARR computation of the Third Control Period. The shortfall has arisen mainly on account of the reduction in Aeronautical revenues collected in FY 2020-21, as compared to Second Control Period tariff order projections, due to the impact of COVID 19 pandemic.

### 3.9 Authority's decisions regarding True up for the Second Control Period

Based on the material before it and its analysis, the Authority has decided the following with respect to true up of the Second Control Period for Calicut International Airport

- 3.9.1 To consider Capital additions as detailed in Table 13 for true up of the Second Control Period.
- 3.9.2 To consider Aeronautical depreciation as mentioned in Table 14 for true up for the Second Control Period.
- 3.9.3 To consider RAB as per Table 15 for true up for the Second Control Period.
- 3.9.4 To consider the Non-aeronautical revenues as per Table 18 for the purpose of true up of the Second Control Period.
- 3.9.5 To consider the O&M expenses as detailed in Table 28 for true up of the Second Control Period.
- 3.9.6 To disallow Return on Land claimed by Calicut International Airport for the First and Second Control Period, in accordance with its Order 42/2018-19 dated March 5, 2019.





- 3.9.7 To consider Aeronautical revenue as per Table 31 for true up of the Second Control Period.
- 3.9.8 To consider ARR and Shortfall as detailed in Table 32 for true up of the Second Control Period for Calicut Airport.





#### 4. TRAFFIC FORECAST FOR THE THIRD CONTROL PERIOD

##### 4.1 AAI's submission of Traffic for Calicut International Airport for the Third Control Period

4.1.1. The historical passenger traffic<sup>3</sup> and ATM at the airport has been shown in the table below:

Table 33: Historical passenger and ATM traffic at Calicut Airport

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2009-10	2,05,940	16,57,929	18,63,869	2,907	14,708	17,615
2010-11	2,30,227	18,29,752	20,59,979	2,884	13,812	16,696
2011-12	2,26,761	19,82,955	22,09,716	2,700	13,450	16,150
2012-13	3,11,387	19,62,316	22,73,703	3,639	13,094	16,733
2013-14	2,85,462	21,79,200	24,64,662	2,694	13,526	16,220
2014-15	2,96,911	22,86,829	25,83,740	3,099	14,382	17,481
2015-16	3,66,413	19,39,134	23,05,547	3,474	13,786	17,260
2016-17	4,39,980	22,11,108	26,51,088	3,585	16,141	19,726
2017-18	5,10,972	26,28,460	31,39,432	4,263	20,647	24,910
2018-19	6,12,572	27,48,275	33,60,847	7,897	18,841	26,738
2019-20	5,29,354	27,00,556	32,29,910	6,695	18,660	25,355
2020-21	1,89,140	7,12,872	9,02,012	3,327	5,611	8,938

4.1.2. The traffic growth rates as submitted by AAI for the Third Control Period are as follows:

Table 34: Traffic growth rates and traffic proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2021-22	75.0%	60.0%	63.5%	60.0%	55.0%	57.0%
2022-23	30.0%	45.0%	41.2%	20.0%	40.0%	32.0%
2023-24	25.0%	35.0%	32.7%	15.0%	30.0%	24.6%
2024-25	15.0%	25.0%	22.8%	10.0%	20.0%	16.7%
2025-26	12.0%	20.0%	18.4%	8.0%	18.0%	14.9%
<b>Traffic</b>						
2021-22	3,23,750	9,69,600	12,93,350	5,120	7,750	12,870
2022-23	4,20,875	14,05,920	18,26,795	6,144	10,850	16,994
2023-24	5,26,094	18,97,992	24,24,086	7,066	14,105	21,171

<sup>3</sup> Source: Traffic News from AAI website





Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2024-25	6,05,008	23,72,490	29,77,498	7,772	16,926	24,698
2025-26	6,77,609	28,46,988	35,24,597	8,394	19,973	28,367
<b>Total</b>	<b>25,53,336</b>	<b>94,92,990</b>	<b>1,20,46,326</b>	<b>34,496</b>	<b>69,604</b>	<b>1,04,100</b>

4.1.3. AAI submitted that the passenger traffic and aircraft movement projections are based on past trends, econometric and regression analysis, and various economic factors including policy framework.

#### 4.2 Authority's examination and proposal regarding Traffic for the Third Control Period at Consultation stage

4.2.1 As part of its examination of AAI's forecast of traffic at Calicut Airport, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2009-10 to FY 2019-20 (10-year CAGR), FY 2014-15 to FY 2019-20 (5-year CAGR) and FY 2016-17 to FY 2019-20 (3-year CAGR).

4.2.2 For the computation of CAGR, the Authority had considered the traffic data of FY 2019-20 as the base, since FY 2020-21 being an exceptional event year, may not provide an appropriate basis for arriving at CAGR. The CAGR details so computed had been provided in the table below:

Table 35: CAGR for passenger traffic and ATM

Particulars	10-year CAGR	5-year CAGR	3-year CAGR
<b>Passengers:</b>			
Domestic	9.9%	12.3%	6.4%
International	5%	3.4%	6.9%
Total Passenger Traffic	5.7%	4.6%	6.8%
<b>ATM:</b>			
Domestic	8.7%	16.7%	23.1%
International	2.4%	5.3%	5.0%
Total ATM	3.7%	7.7%	8.7%

4.2.3 The Authority had noted the wide variation in traffic in the recent past, which causes CAGR for 5-year period to be the highest for Domestic passenger profile.

4.2.4 AAI had submitted a de-growth of 65.05% and 77.56% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21 (over previous Financial Year), due to the adverse impact of COVID-19 pandemic on the domestic and international travels. Similarly, AAI had submitted a de-growth of 52% and 73%, respectively in domestic ATM and international ATM for FY 2020-21 (over previous Financial Year).

AAI assumed the traffic volume to revive in FY 2021-22 and had projected a growth of 75% in domestic passenger traffic and of 60% in international passenger traffic. Likewise, AAI had projected a growth of 60% in domestic ATM and 55% in international ATM in FY 2021-22.

#### Computation of revised traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

The revised traffic forecasts had been computed by the Authority, after considering the study and





analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

#### 4.2.5 Airport International Council (ACI)

ACI in its report on November 9, 2021, had projected the following air passenger traffic outlook for the year 2021:

- *The COVID-19 outbreak reduced the number of passengers at the world's airports by more than 5.6 billion in 2020 and is forecast to remove an additional 4.6 billion passengers by the end of 2021, compared to 2019 volumes. Global passenger traffic in 2021 is expected to reach only half of what it was in 2019, totalling only 4.6 billion of the 9.2 billion passengers served two years ago.*
- *There was a sharp reduction in global aircraft movements in 2020, decreasing by 39.5% to reach only 62 million.*
- *The global air cargo declined by 9.6% in 2020 compared to 2019, with 108 million tonnes handled in 2020.*
- *Due to COVID-19 related travel restrictions worldwide, domestic passenger traffic continues its trend from 2020 into 2021 of recovering faster than the international market—especially in China and in the US, the latter being the world's largest domestic market. Globally, domestic traffic will continue to increase in 2021 to reach more than 3.1 billion passengers by the end of the year, a level corresponding to 58.5% of that achieved in 2019.*

#### 4.2.6 International Air Transport Association (IATA)

IATA in its report as on October 4, 2021, had reported the following air passenger traffic:

- *IATA estimates that travel (measured in revenue passenger kilometres or RPKs) will recover to 40% of 2019 levels for 2021 rising to 61% in 2022. Total passenger numbers are expected to reach 2.3 billion in 2021 and rise to 3.4 billion in 2022, which is similar to 2014 levels, but significantly below the 4.5 billion travellers of 2019.*
- *International passenger traffic is the slowest to recover owing to continuing restrictions on the freedom of movement across borders, quarantine measures and traveller uncertainty. In 2021 international demand is expected to reach 22% of 2019 levels and expected to reach 44% in 2022.*
- *Domestic passenger traffic with fewer restrictions in most countries, is driving the recovery. Accumulated consumer savings is supporting the alleviation of pent-up demand in unrestricted domestic markets. In 2021 domestic demand is expected to reach 73% of 2019 levels and is expected to reach 93% in 2022.*

#### 4.2.7 CAPA India

CAPA India had also stated the following with respect to recovery of passenger traffic:

- *Domestic air passenger traffic in India is expected to surge 52% this fiscal, while international passenger traffic is expected to rise 60%, rebounding from the turbulence caused by the pandemic.*
- *CAPA India expects about 80 million passengers to fly within the country and 16 million to travel overseas this fiscal, up from 53 million domestic passengers and 10 million international passengers during FY2021.*





#### 4.2.8 International Civil Aviation Organisation (ICAO)

ICAO had outlined that international passenger traffic suffered a dramatic 60 per cent drop over 2020 as a result of the COVID-19 pandemic. It has further predicted the following air traffic outlook for the year 2021:

- ICAO indicated that the near-term outlook is for prolonged depressed demand, with downside risks to global air travel recovery predominating in the first quarter of 2021, and likely to be subject to further deterioration.
- It expects any improvement in the global picture only by the second quarter of 2021, though this will still be subject to the effectiveness of pandemic management and vaccination roll out.

#### Conclusion on traffic forecasts based on the above assumptions

4.2.9 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority had taken into consideration the forecast/data published by ACI, IATA, CAPA India and ICAO cited in para 4.2.5 to 4.2.8 above for arriving at the revised traffic projections.

4.2.10 In the Authority's opinion, the impact of COVID-19 pandemic on the global aviation market is still prevalent and is expected to continue till the end of FY 21-22. However, with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry is expected to recover at a better pace in the next few years.

4.2.11 Considering the positive outlook of the GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority was of the view that domestic passenger traffic and ATM will revert to pre-Covid levels (of FY 2019-20) by FY 2022-23.

4.2.12 Further, considering the predictions done by the above agencies, the Authority was of the view that international passenger traffic and ATM will revert to pre COVID-19 levels (of FY 2019-20) by FY 2023-24.

4.2.13 Considering the trend in the growth of traffic data, the Authority considered the growth rate of 25% in domestic passenger traffic and of 15% in domestic ATM for the FY 2023-24, as projected by AAI in their MYTP to be appropriate.

4.2.14 The Authority proposed to use the 5-year CAGR for projecting domestic and international passenger traffic and ATM for the last 2 tariff years (FY 2024-25 & FY 2025-26), as it believes that the 5-year CAGR represents normalized economic scenarios, weeding out short-term macro-economic fluctuations.

4.2.15 The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Third Control Period has been given in the table below:

Table 36: Traffic proposed to be considered by the Authority for the Third Control Period

Domestic Passengers (Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
As submitted by Calicut Airport	3.24	4.21	5.26	6.05	6.78
As proposed by the Authority	3.22	5.31	6.63	7.45	8.36
Calicut Airport's submission as a % of FY 2019-20 traffic	61%	80%	99%	114%	128%





Proposed traffic as per Authority as a % of FY 2019-20 traffic	61%	100%	125%	141%	158%
<b>International Passengers (Lacs)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
As submitted by Calicut Airport	9.7	14.06	18.98	23.72	28.47
As proposed by the Authority	11.41	18.25	27.37	28.31	29.27
Calicut Airport's submission as a % of FY 2019-20 traffic	36%	52%	70%	88%	105%
Proposed traffic as per Authority as a % of FY 2019-20 traffic	42%	68%	100%	105%	108%
<b>Total passengers (Lacs)</b>					
Total as per Calicut Airport's submission	12.94	18.27	24.24	29.77	35.25
Total (Domestic and International) proposed by the Authority	14.63	23.56	34	35.76	37.63
Proposed total traffic as per Calicut Airport's submission as a % of FY 2019-20 traffic	40%	57%	75%	92%	109%
Proposed total traffic as per Authority as a % of FY 2019-20 traffic	45%	73%	105%	111%	117%
<b>Domestic ATM (in '000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
Domestic ATM submitted by Calicut Airport	5.12	6.14	7.07	7.77	8.39
Domestic ATM proposed by the Authority	5.49	6.70	7.70	8.99	10.49
Calicut Airport's submission as a % of FY 2019-20 ATM	76%	92%	106%	116%	125%
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	82%	100%	115%	134%	157%
<b>International ATM (in '000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
International ATM submitted by Calicut Airport	7.75	10.85	14.11	16.93	19.97
International ATM proposed by the Authority	8.98	13.47	19.66	20.70	21.80
Calicut Airport's submission as a % of FY 2019-20 ATM	42%	58%	76%	91%	107%
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	48%	72%	105%	111%	117%
<b>Total ATM ('000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
Total ATM (Domestic and International) as per Calicut Airport's submission	12.87	21.18	21.18	24.7	28.36





Total ATM (Domestic and International) proposed by the Authority	14.47	20.17	27.36	29.69	32.29
Calicut Airport's submission as a % of FY 2019-20 total ATM	51%	67%	84%	97%	112%
Proposed total ATM as per Authority as a % of FY 2019-20 ATM	57%	80%	108%	117%	127%

4.2.16 The Authority decided to true up the traffic as per actual growth achieved during the Third Control Period at the time of determination of tariff for the Fourth Control Period.

### 4.3 Stakeholders' comments on Traffic Forecasts for the Third Control Period

4.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to Traffic Forecasts for the Third Control Period. The comments by stakeholders are presented below:

#### AAI's comments on Traffic Forecasts for the Third Control Period

4.3.2 AAI has submitted the following:

- "The forecast for Calicut airport was submitted in the month of December 2020 wherein the traffic for FY 2020-21 was estimated. The same has now been reviewed on the basis of actual traffic for FY 2020-21 and 2021-22 (April-September).
- The pre-covid level of traffic for domestic and international traffic is likely to be achieved in the year 2023-24 and 2024-25 respectively.
- Accordingly, the aircraft movements have also been revised."

Table 37: Revised Traffic forecast submitted by AAI for Calicut International Airport

TRAFFIC FORECAST - CALICUT AIRPORT by AAI						
YEAR	AIRCRAFT MOVEMENTS (in Nos.)			PASSENGERS (in Nos.)		
	International	Domestic	Total	International	Domestic	Total
2019-20 (Actual)	18660	6695	25355	2700556	529354	3229910
2020-21 (Actual)	5611	3327	8938	712872	189140	902012
GROWTH RATE	70.0%	50.0%	62.6%	75.0%	65.0%	72.9%
2021-22	9539	4991	14529	1247526	312081	1559607
GROWTH RATE	40.0%	20.0%	33.1%	45.0%	35.0%	43.0%
2022-23	13354	5989	19343	1808913	421309	2230222
GROWTH RATE	30.0%	15.0%	25.4%	35.0%	25.0%	33.1%
2023-24	17360	6887	24247	2442032	526637	2968669
GROWTH RATE	12.0%	12.0%	12.0%	15.0%	15.0%	15.0%
2024-25	19444	7713	27157	2808337	605632	3413969
GROWTH RATE	8.0%	10.0%	8.6%	10.0%	12.0%	10.4%
2025-26	20999	8485	29484	3089171	678308	3767479

- AAI requests AERA to consider the above traffic projections which have been re-drawn considering





the current scenario.

#### Other Stakeholders' comments on Traffic Forecasts for the Third Control Period

4.3.3 FIA has commented "While we appreciate that AERA has drawn references to traffic outlook by ACI, IATA, CAPA India and ICAO, we request AERA to conduct an independent study for traffic assessment, in accordance with the AERA Act."

#### 4.4 AAI's response to Stakeholders' comments on Traffic Forecasts for the Third Control Period

4.4.1 AAI has submitted that it concurs with the views of FIA and commented that the traffic projections proposed by AERA appears to be highly optimistic.

#### 4.5 Authority's analysis on Stakeholders' comments regarding Traffic Forecasts for the Third Control Period

4.5.1 The Authority has noted the comments of AAI and FIA on traffic forecasts and has the following views:

- i. The Authority has studied the estimates/ traffic outlook provided by various agencies and is of the opinion that domestic traffic will revert to pre-covid levels by FY 2022-23 and the international traffic will reach pre-covid levels by FY 2023-24.
- ii. The Authority has examined the comments from FIA on conducting an independent study on the traffic projections in accordance with the AERA Act and the Authority is of the view that Calicut Airport is a small Airport which does not have as many complex operations as other larger Airports.
- iii. The requirement for an independent study on traffic projections depends upon the size, scale and complexity of operations at the Airport. Therefore, the Authority has decided to depend upon its in-house expertise taking into consideration the views of various Aviation bodies/experts.
- iv. Moreover, at present, the traffic situation is very dynamic. There is no scientific model available for traffic projections to cater to such pandemic situations. However, traffic projections for the Third control period will be trued up in the next control period.
- v. The Authority has reviewed the actual passenger traffic and ATM of Calicut International Airport for the period April 2021 to December 2021 and has revised its estimates of passenger traffic and ATM for the FY 2021-22. The revised traffic estimates submitted by AAI (as per Table 37) and derived by the Authority have been provided in the table below:

Table 38: Traffic decided to be considered by the Authority for the Third Control Period

Domestic Passengers (Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AAI's submission for Calicut Airport	3.12	4.21	5.26	6.05	6.78	25.42
As decided by the Authority	2.91	5.31	6.63	7.45	8.36	30.66
Calicut Airport's submission as a % of FY 2019-20 traffic	59%	80%	99%	114%	128%	





Traffic as per Authority as a % of FY 2019-20 traffic	55%	100%	125%	141%	158%	
<b>International Passengers (Lacs)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
AAI's submission for Calicut Airport	12.47	18.08	24.42	28.08	30.89	113.94
As decided by the Authority	11.61	18.25	27.37	28.31	29.27	114.81
Calicut Airport's submission as a % of FY 2019-20 traffic	46%	67%	90%	104%	114%	
Traffic as per Authority as a % of FY 2019-20 traffic	43%	68%	100%	105%	108%	
<b>Total passengers (Lacs)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
AAI's submission for Calicut Airport	15.59	22.30	29.69	34.14	37.67	139.39
Total (Domestic and International) decided by the Authority	14.52	23.56	34.00	35.76	37.63	145.47
Total traffic as per Calicut Airport's submission as a % of FY 2019-20 traffic	48%	69%	92%	106%	117%	
Total traffic as per Authority as a % of FY 2019-20 traffic	45%	73%	105%	111%	117%	
<b>Domestic ATM (in '000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
AAI's submission for Calicut Airport	4.99	5.99	6.89	7.71	8.48	34.06
As decided by the Authority	4.15	6.70	7.70	8.99	10.49	38.03
Calicut Airport's submission as a % of FY 2019-20 ATM	75%	90%	103%	115%	127%	
ATM traffic as per Authority as a % of FY 2019-20 ATM	62%	100%	115%	134%	157%	
<b>International ATM (in '000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>
AAI's submission for Calicut Airport	9.54	13.35	17.36	19.44	20.99	80.68
As decided by the Authority	9.61	13.47	19.66	20.70	21.80	85.24
Calicut Airport's submission as a % of FY 2019-20 ATM	51%	72%	93%	104%	112%	
ATM traffic as per Authority as a % of FY 2019-20 ATM	51%	72%	105%	111%	117%	
<b>Total ATM ('000)</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Total</b>





Total ATM (Domestic and International) as per Calicut Airport's submission	14.53	19.34	24.24	27.15	29.48	114.74
Total ATM (Domestic and International) decided by the Authority	13.76	20.17	27.36	29.69	32.29	123.27
Calicut Airport's submission as a % of FY 2019-20 total ATM	57%	76%	96%	107%	116%	
Total ATM as per Authority as a % of FY 2019-20 ATM	54%	80%	108%	117%	127%	

#### 4.6 Authority's decisions regarding Traffic Forecast for the Third Control Period

Based on the material before it and its analysis, the Authority has decided the following with regard to traffic forecast for the Third Control Period:

- 4.6.1 To consider the ATM and passenger traffic for the Third Control Period for Calicut Airport as per Table 38.
- 4.6.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariff for the Fourth Control Period.





## 5. REGULATORY ASSET BASE (RAB) AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

### 5.1 AAI's submission of Regulatory Asset Base and Depreciation for Calicut International Airport for the Third Control Period

5.1.1 Regulatory Asset Base and depreciation submitted by AAI had been segregated in the following order:

- Allocation of Gross block of assets in to Aeronautical and Non-aeronautical.
- Capital expenditure proposed for Third Control Period
- Depreciation for the Third Control Period
- Regulatory Asset Base for the Third Control Period

#### Allocation of Gross block of assets in to Aeronautical and Non-aeronautical

5.1.2 AAI had submitted the following allocation of gross block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical services for Calicut International Airport:

Table 39: Allocation of opening gross block of assets for April 1, 2021 between Aeronautical and Non-aeronautical as per AAI

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Runway, Taxi Way & Apron	175.03	-	-	175.03	-	-	-	175.03	100.00%
Road, Bridge & Culverts.	10.32	-	1.05	9.26	-	-	-	9.26	89.73%
Terminal Building	153.69	3.62	0.02	8.90	141.15	131.59	9.56	140.49	91.41%
Buildings - Temporary	0.02	-	-	0.02	-	-	-	0.02	100.00%
Buildings – Residential	4.70	1.14	-	0.18	3.38	3.29	0.09	3.47	73.83%
Security Fencing	0.43	-	-	0.43	-	-	-	0.43	100.00%
Boundary Wall – Operational	5.63	-	-	5.63	-	-	-	5.63	100.00%
Buildings - Others	13.07	0.22	-	12.14	0.72	0.68	0.04	12.81	98.01%
Computers & Peripherals	0.96	0.38	-	0.54	0.04	0.04	0.00	0.58	60.42%
Computer Software	0.52	0.20	-	0.25	0.07	0.07	-	0.33	63.46%
Machinery	34.50	7.70	-	21.54	5.26	4.85	0.41	26.39	76.49%
Tools & Equipment	15.45	0.28	-	11.90	3.27	3.02	0.25	14.92	96.57%



Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-aero		
Office Furniture	1.28	0.31	-	0.83	0.14	0.13	0.01	0.96	75.00%
Vehicles	7.63	0.21	-	7.29	0.13	0.12	0.00	7.41	97.12%
Vehicles - Cars & Jeeps	1.41	0.26	-	1.03	0.12	0.11	0.00	1.14	80.85%
Electrical Installations	145.76	5.27	-	120.66	19.83	18.20	1.63	138.87	95.27%
Office Equipment	0.67	0.09	0.01	0.39	0.18	0.18	0.00	0.57	85.07%
ATM Furniture	5.26	1.01	0.00	2.11	2.15	2.01	0.14	4.12	78.33%
X-Ray Equipment	8.15	-	-	8.15	-	-	-	8.15	100.00%
CFT & Firefighting equipment	25.71	-	-	25.71	-	-	-	25.71	100.00%
Furniture & Fixtures – Trolleys	0.46	-	-	0.46	-	-	-	0.46	100.00%
<b>Total</b>	<b>610.67</b>	<b>20.69</b>	<b>1.08</b>	<b>412.48</b>	<b>176.42</b>	<b>164.28</b>	<b>12.14</b>	<b>576.76</b>	<b>94.45%</b>

## 5.2 Authority's examination and proposal regarding Allocation of assets, Capitalisation and depreciation at Consultation Stage

5.2.1 The Authority had observed that the common and the cost of electrical installations within the terminal building have been apportioned by Calicut International Airport in the terminal building ratio of 5% and 6% (in some cases) during the FY 2019-20 and FY 2018-19 respectively. Considering the passenger profile at the Airport, the Authority was of the opinion that the terminal building ratio of 5% (Non-aeronautical area to total area) was lesser as compared to the other similar airports such as Varanasi, Amritsar, Trichy, Raipur etc. Hence, the Authority proposed to consider a revised terminal building ratio of 8% as reasonable, in line with the optimum terminal building ratio of 8%-12% as approved for other similar airports for apportioning the common assets within the terminal building.

5.2.2 Also, as mentioned under para 3.4.6 (under true up of Capital Expenditure), the Authority had disallowed Financing allowance of ₹ 7.47 Crores (₹ 2.27 Crores towards project on re-carpeting of runway and ₹ 5.20 Crores towards construction of New International Arrival Block (NIAB), capitalized by Calicut Airport during the Second Control Period, as the allowance was not claimed by Calicut Airport as part of their MYTP submitted for the Second Control Period and the Authority had also not approved the same in the Tariff Order issued for Calicut Airport for the Second Control Period. Further, the capital expenditure was carried out by the Calicut Airport using their own funds and the Authority was of the view that Calicut International Airport being one of the oldest airports in India, would not be eligible for such an allowance on the equity portion of newly funded capital projects.

5.2.3 Based on the above observations, the Authority had presented the allocation of Gross Block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical as per table below:





Table 40: Allocation of Opening Gross Block of Assets as on April 1, 2021 between Aeronautical and Non-aeronautical proposed by the Authority

(₹ Crores)

Asset Category	Total Assets	ANS Assets	Non-aero Assets)	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Runways, Taxiways & aprons	172.75	-	-	172.75	-	-	-	172.75	100.00%
Roads, Bridges & culverts	10.32	-	1.05	9.26	-	-	-	9.26	89.79%
Buildings – Terminal	148.49	3.62	0.02	3.70	141.15	130.05	11.10	133.75	90.07%
Buildings – Temporary	0.02	-	-	0.02	-	-	-	0.02	100.00%
Buildings – Residential	4.70	1.14	-	0.18	3.38	3.29	0.09	3.47	73.87%
Security Fencing	0.43	-	-	0.43	-	-	-	0.43	100.00%
Boundary Wall – Operational	5.63	-	-	5.63	-	-	-	5.63	100.00%
Buildings – Others	13.07	0.22	-	12.14	0.72	0.68	0.04	12.81	98.01%
Computers & Peripherals	0.96	0.38	-	0.54	0.04	0.04	0.00	0.58	60.15%
Computer Software	0.53	0.20	-	0.25	0.08	0.07	0.01	0.33	61.93%
Machinery	34.50	7.70	-	21.54	5.26	4.85	0.41	26.39	76.50%
Tools & Equipment	15.43	0.28	-	11.90	3.25	3.02	0.24	14.92	96.67%
Office Furniture	1.29	0.31	-	0.83	0.15	0.13	0.02	0.96	74.67%
Vehicles	7.62	0.21	-	7.29	0.12	0.12	0.00	7.41	97.26%
Vehicles - Cars & Jeeps	1.40	0.26	-	1.03	0.11	0.11	0.00	1.14	81.53%
Electrical Installations	145.76	5.27	-	120.66	19.83	17.99	1.83	138.66	95.13%
Office Equipment	0.71	0.09	0.01	0.39	0.21	0.18	0.03	0.57	80.87%
ATM Furniture	5.26	1.01	0.00	2.11	2.15	2.01	0.14	4.12	78.26%
X-Ray Equipment	8.15	-	-	8.15	-	-	-	8.15	100.00%
CFT & Firefighting equipment	25.71	-	-	25.71	-	-	-	25.71	100.00%
Furniture & Fixtures – Trolleys	0.46	-	-	0.46	-	-	-	0.46	100.00%
<b>Total</b>	<b>603.20</b>	<b>20.69</b>	<b>1.08</b>	<b>405.00</b>	<b>76.42</b>	<b>162.53</b>	<b>13.93</b>	<b>567.53</b>	<b>94.09%</b>





**Capital expenditure proposed for Third Control Period**

5.2.4 AAI had proposed capital expenditure of ₹ 86.19 Crores for the Third Control Period for Calicut International Airport. Project-wise capital expenditure as submitted by Calicut International Airport had been shown in table below:

Table 41: Project wise Capital Expenditure submitted by AAI for Calicut Airport for Third Control Period  
(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre- operative expenses etc)	Financing allowance (FA)	Total Capital additions (incl. FA)
	<b>Runways, Taxiway &amp; Aprons</b>				
1	Civil minor capital works	2022-23	4.30	-	4.30
2	Grading of area beyond runway basic strip	2021-22	2.55	-	2.55
3	RMS	2022-23	2.00	-	2.00
4	Runways – Financing Allowance	2024-25	-	0.99	0.99
	<b>Road, Bridges &amp; Culverts</b>				
5	Widening of existing perimeter road.	2022-23	4.00	-	4.00
6	Widening of present low lying area road	2023-24	5.00	-	5.00
7	Runway re-carpeting work	2024-25	20.00	-	20.00
	<b>Terminal Building</b>				
8	Internal Modifications and Integration of International and Domestic Terminal Buildings	2022-23	6.00	-	6.00
9	Contract for Civil Minor Capital Works in Terminal building	2023-24	1.50	-	1.50
10	Chairs	2023-24	1.60	-	1.60
	<b>Buildings- Others</b>				
11	Reconstruction of equipment staging area and associated works	2021-22	1.05	-	1.05
	<b>Computers &amp; Peripherals</b>				
12	Desktop/laptop		0.29	-	0.29
13	Printer		0.04	-	0.04
14	Scanner		0.003	-	0.00
15	IT		0.02	-	0.02
	<b>Furniture and Fittings</b>				
16	Trolleys	2024-25	0.58	-	0.58
	<b>Vehicles</b>				
17	Diesel Bowser		0.09	-	0.09
18	Ambulance		1.67	-	1.67
	<b>Vehicles - Cars &amp; Jeeps</b>				
19	Bolero		0.99	-	0.99
20	Tata407		0.35	-	0.35
21	Thar Jeep		0.43	-	0.43
22	Maruti Swift		0.20	-	0.20
	<b>Electrical Installations (Security related)</b>				





S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total Capital additions (incl. FA)
23	Replacement of Chillers - Phase -I	2022-23	3.00	-	3.00
24	Replacement of Chillers - Phase -II	2023-24	3.50	-	3.50
25	Provision of PBB for Additional Bays	2022-23	2.50	-	2.50
26	Provision of Runway Centreline lights	2023-24	4.00	-	4.00
27	Installation of PBB for bay	2021-22	2.54	-	2.54
28	Body Scanner	2021-22	10.00	-	10.00
29	SCCTV	2023-24	1.00	-	1.00
30	FID	2024-25	1.00	-	1.00
31	PA	2025-26	1.00	-	1.00
	<b>X-Ray Equipment</b>				
32	XBIS	2022-23	3.00	-	3.00
	<b>Fire Fighting Equipment/ CFT</b>				
33	ASFT	2022-23	1.00	-	1.00
	<b>GRAND TOTAL</b>		<b>85.20</b>	<b>0.99</b>	<b>86.19</b>

#### Authority's examination and proposal of capitalisation of Aeronautical Expenditure for the Third Control Period at Consultation stage

5.2.5 While analysing the MYTP regarding Capital additions for the Third Control Period, the Authority had taken into consideration the reduced traffic due to COVID-19 pandemic and had appropriately rationalized the proposed Capital additions as given in the following paragraphs.

5.2.6 The Authority noted that the projections towards Capital addition have been made broadly towards:

- Roads, Bridges and Culverts** of ₹ 29 Crores – this majorly comprises of re-carpeting of Runway for ₹ 20 Crores, which was undertaken once in every 5 years as per the Works Manual of AAI. Further, AAI has engaged an independent consultant (IIT Palakkad) for designing the re-carpeting and strengthening the layer of the Runway. AAI is of the view that there is a probability of increase in the PCN value as the consequence of the above strengthening and re-carpeting of the Runway and hence the same is capitalized. The Authority was in agreement with the above projections and justification provided by AAI for capitalization of re-carpeting and strengthening of the Runway of the Calicut Airport.
- Electrical installations (Security related)** of ₹ 28.54 Crores – this comprises of supply items such as Body Scanners (₹ 10 Crores), Secured closed Circuit television (SCCTV), Flight Information Display (FID), Public Address system (PA) (of ₹ 3 Crores), installation of Passenger Boarding Bridges (for ₹ 4.54 Crores) and replacement of chillers, provision of Runway center lights (for ₹ 10.50 Crores).
- Further, the Airport system department of AAI Calicut Airport have reviewed and revised the projections done towards Body Scanners from ₹ 10 Crores to ₹ 13.30 Crores and revised downwards the projection done towards X-Ray machine from ₹ 3 Crores to ₹ 1.53 Crores.

5.2.7 The initial Capex submitted by Calicut Airport in the MYTP for the Third Control Period was for ₹ 86.18 Crores. Considering the above revisions in the projections done towards Body Scanners and X-Ray machines, the revised Capex submitted by Calicut Airport for the Third Control Period is as shown





below:

Table 42: Revised capex submitted by Calicut Airport for Third Control period

		(₹ Crores)
S. No	Particulars	Amount
A.	Initial Capex submitted by Calicut Airport	86.19
B.	Increase in the projections done towards body scanners (₹ 13.30 Cr. - ₹ 10 Cr.)	3.30
C.	Decrease in the projections done for X-Ray machine (₹ 3 Cr. - ₹ 1.53 Cr.):	1.47
D.	Revised Capex submitted by Calicut Airport (A+B-C):	88.02

The Authority considered the revised Capex submitted by Calicut Airport for the Third Control Period as ₹ 88.02 Crores.

- 5.2.8 The Authority noted that for the above Capital expenditure projections, the process of Administrative Approval and Expenditure Sanction (AAES) has not been initiated by AAI and the same was proposed to be undertaken at the time of commencement of the above projects.
- 5.2.9 Further, the size of the individual projects was below the threshold limit defined under the AERA Guidelines for conducting the Airport Users Consultation Committee (AUCC) meeting. Hence, requirement of conducting AUCC meeting for such projects did not arise.
- 5.2.10 The Authority reviewed the AUCC meeting conducted at Calicut Airport on January 30, 2017 with respect to the project on strengthening and re-carpeting of the Runway and noted that the Chairman of the Committee (President of Malabar Chamber of Commerce) appeared to be from a non-technical background (w.r.t Aviation), though the meeting was convened to discuss about the Airside works.
- 5.2.11 The Authority was of the view that AAI may consider including a panel of Experts/ Cross Functional Team having requisite technical expertise in the Aviation sector in such meetings where the subject matter was about development of the Airside area.
- 5.2.12 Considering the above facts and the current slowdown in passenger traffic due to COVID-19, the Authority asked Calicut Airport to re-visit its capital expenditure projections and include only the essential capital expenses.
- 5.2.13 The Authority noted that AAI has re-reviewed its Capex projections and confirmed that the major capital additions are only towards strengthening & re-carpeting of the Runway and Electrical installations (Security related), the essentiality of which had been explained under para 5.2.6
- 5.2.14 The Authority noted that Calicut International Airport has claimed Financing allowance of ₹ 0.99 Crores towards project on re-carpeting of Runway in the MYTP submitted for the Third Control Period. However, as the capital expenditure projects were proposed to be carried out by AAI using their own funds and not with any debt funds, the Authority proposed to disallow the above Financing allowance (as also explained under para 5.2.2).
- 5.2.15 The Authority noted that the common assets within the Terminal Building had been apportioned in the Terminal Building ratio of 95%:5% (Aeronautical: Non-aeronautical area). The Authority was of the view that the 5% presently allocated towards Non-aeronautical area was lesser as compared to





other similar airports such as Trichy, Raipur, Varanasi and Amritsar. Hence, the Authority proposed to consider Non-aeronautical area as 8%, in line with the optimum terminal building ratio of 8%-12% as approved in other similar airports. The Authority had accordingly reworked the proportion of common assets within the Terminal building in the ratio of 92%:8% (Aeronautical: Non-aeronautical area) and the same had been presented in the table below.

5.2.16 In accordance with above, the Authority proposed the capital expenditure for the Third Control Period as per the table below:

Table 43: Capital Additions (Project wise) proposed by the Authority for Third Control Period

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc.)	Financing allowance (FA)	Total Capital Additions (incl FA)
	<b>Runways, Taxiway &amp; Aprons</b>				
1	Civil minor capital works	2022-23	4.30	-	4.30
2	Grading of area beyond runway basic strip	2021-22	2.55	-	2.55
3	RMS	2022-23	2.00	-	2.00
	<b>Road, Bridges &amp; Culverts</b>				
5	Widening of existing perimeter road.	2022-23	4.00	-	4.00
6	Widening of present low lying area road	2023-24	5.00	-	5.00
7	Runway re-carpeting work	2024-25	20.00	-	20.00
	<b>Terminal Building</b>				
8	Internal Modifications and Integration of International and Domestic Terminal Buildings	2022-23	5.81	-	5.81
9	Contract for Civil Minor Capital Works in Terminal building	2023-24	1.45	-	1.45
10	Chairs	2023-24	1.55	-	1.55
	<b>Buildings- Others</b>				
11	Reconstruction of equipment staging area and associated works	2021-22	1.05	-	1.05
	<b>Computers &amp; Peripherals</b>				
12	Desktop/laptop	Multiple years	0.29	-	0.29
13	Printer	Multiple years	0.04	-	0.04
14	Scanner	Multiple years	0.003	-	0.00
15	IT	Multiple years	0.02	-	0.02
	<b>Furniture and Fittings</b>				
16	Trolleys	2024-25	0.58	-	0.58
	<b>Vehicles</b>				
17	Diesel Bowser	Multiple years	0.09	-	0.09
18	Ambulance	Multiple years	1.67	-	1.67
	<b>Vehicles - Cars &amp; Jeeps</b>				





S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc.)	Financing allowance (FA)	Total Capital Additions (incl FA)
19	Bolero	Multiple years	0.99	-	0.99
20	Tata407	Multiple years	0.35	-	0.35
21	Thar Jeep	Multiple years	0.43	-	0.43
22	Maruti Swift	Multiple years	0.20	-	0.20
	<b>Electrical Installations</b>				
23	Replacement of Chillers - Phase -I	2022-23	3.00	-	3.00
24	Replacement of Chillers - Phase -II	2023-24	3.50	-	3.50
25	Provision of PBB for Additional Bays	2022-23	2.50	-	2.50
26	Provision of Runway Centreline lights	2023-24	4.00	-	4.00
27	Installation of PBB for bay	2021-22	2.54	-	2.54
28	Body Scanner	2021-22	13.30	-	13.30
29	SCCTV	2023-24	1.00	-	1.00
30	FID	2024-25	1.00	-	1.00
31	PA	2025-26	1.00	-	1.00
	<b>X-Ray Equipment</b>				
32	XBIS	2022-23	1.53	-	1.53
	<b>Fire Fighting Equipment/ CFT</b>				
33	ASFT	2022-23	1.00	-	1.00
	<b>GRAND TOTAL</b>		<b>86.74</b>	<b>-</b>	<b>86.74</b>

Year-wise capitalisation of assets have been shown below:

(₹ Crores)				
FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
12.87	38.19	28.85	5.63	1.20
<b>Total Capital Additions for the Third Control Period (FY 2021-22 to FY 2025-26)</b>				<b>86.74</b>

The Authority proposed to consider capitalization of Aeronautical expenditure for Calicut Airport for the Third Control Period as ₹ 86.74 Crores.

### Depreciation for the Third Control Period

#### AAI's submission of Depreciation for Calicut International Airport for the Third Control Period

5.2.17 AAI follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Third Control Period for Calicut Airport, AAI had taken cognisance of the rates of depreciation approved by the Authority in previous tariff orders (*Order No. 35 dated January 12, 2018 and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'*). Accordingly, the rates of depreciation approved by the Authority have been applied by Calicut International Airport from FY 2018-19 onwards.

5.2.18 Depreciation had been computed separately on opening block of assets and on the proposed additions.





5.2.19 The depreciation amount proposed by AAI for Calicut International Airport for the Third Control Period had been presented in the table below.

Table 44: Depreciation proposed by Calicut International Airport for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Depreciation on opening gross block	21.80	21.36	20.35	19.97	19.45	102.92
Depreciation on additions from FY 2021-22 to FY 2025-26	0.96	2.88	4.39	6.12	7.38	21.72
<b>Total</b>	<b>22.76</b>	<b>24.24</b>	<b>24.74</b>	<b>26.09</b>	<b>26.82</b>	<b>124.65</b>

#### Authority's examination and proposal regarding Depreciation for the Third Control Period at Consultation stage

- 5.2.20 The Authority had noted the submission of two different rates of depreciation by Calicut International Airport for different periods under consideration (Second and Third Control Period) and had duly examined these for consideration towards determination of Aeronautical tariff.
- 5.2.21 The Authority observed that AAI has computed depreciation based on rates prescribed by AERA vide Order No. 35/ 2017-18 dated January 12, 2018. For the additions to RAB, AAI had calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalised in the middle of the financial year). The Authority proposed to consider the same.
- 5.2.22 Considering the above depreciation rates, changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposed the following depreciation for the Third Control Period.

Table 45: Depreciation proposed by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Depreciation on opening gross block	21.58	21.15	20.13	19.75	19.23	101.83
Depreciation on additions from FY 2021-22 to FY 2025-26	0.51	2.54	5.41	7.13	7.57	23.16
<b>Total</b>	<b>22.09</b>	<b>23.68</b>	<b>25.54</b>	<b>26.87</b>	<b>26.79</b>	<b>124.99</b>

The Authority proposed to consider depreciation for Calicut Airport for the Third Control Period as ₹ 124.99 Crores.

#### Regulatory Asset Base (RAB) for the Third Control Period

##### AAI's submission of RAB for Calicut International Airport for the Third Control Period

- 5.2.23 AAI had submitted RAB for the Third Control Period for Calicut International Airport as follows:





Table 46: RAB submitted by AAI for Calicut Airport for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	270.05	268.62	272.47	260.66	257.20	
Additions	21.34	28.09	12.93	22.62	1.20	86.19
Disposal/Transfers	0	0	0	0	0	0.00
Depreciation	22.76	24.24	24.74	26.09	26.82	124.65
Closing RAB	268.62	272.47	260.66	257.20	231.58	
Average RAB	269.33	270.55	266.57	258.93	244.39	

**Authority's examination and proposal regarding RAB for the Third Control Period at Consultation stage**

5.2.24 The Authority proposed to adopt the Aeronautical capitalization in accordance with Table 43 and the depreciation amounts in accordance with Table 45.

5.2.25 Combining all its propositions, RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Third Control Period is as follows:

Table 47: RAB proposed to be considered by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1) (refer table 10)	261.40	252.18	266.68	269.97	248.73	
Additions (2) (refer table 43)	12.87	38.19	28.85	5.63	1.20	86.74
Disposal/Transfers (3)	0	0	0	0	0	0.00
Depreciation (4) (refer table 45)	22.09	23.68	25.54	26.87	26.79	124.99
Closing RAB (5) = [(1) + (2) - (3) - (4)]	252.18	266.68	269.98	248.73	223.14	
Average RAB = [(1) + (5)]/2	256.79	259.43	268.33	259.35	235.93	

The Authority proposed to consider Average RAB for the Calicut Airport for the Third Control Period as detailed in Table 47.

**5.3 Stakeholders' comments on Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period**

5.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period. The comments by stakeholders are presented below:





### **AAI's comments on Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period**

#### **Ratios used for allocation of Capital Additions in the Third Control Period**

- 5.3.2 AAI has submitted the following with respect to ratios used for allocation of capital additions in the Third Control Period:
- "The ratios have been computed based on the actual space in the terminals. Hence, AAI submits that assuming a different ratio based on international benchmarks when there is no substantial change in the terminal building composition during the Third Control Period may not be justified."*
  - "Hence, AAI requests AERA to consider the ratios as submitted during MYTP."*

#### **Financing Allowance (FA)**

- 5.3.3 *"AAI submits that Direction 05 which states that FA is not only for greenfield airports. Irrespective of whether it is brownfield or greenfield airports, there is outlay of funds for significant time when developing new terminals/ runways/ large project works. Even in CIAL and BIAL, FA has been considered till Second Control Period. In this regard, level playing field may be ensured for AAI and private airports."*
- 5.3.4 AAI has requested AERA to refer to the detailed explanations provided in comments to the Second Control Period True up for consideration of FA in Third Control Period also.

#### **Readjustment of 1% to RAB if project not completed**

- 5.3.5 *"AAI submits and request AERA to take it on case-to-case basis as due to pandemic/other genuine reasons, work delay is unpredictable."*

### **Other Stakeholders' comments on Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period**

- 5.3.6 FIA has commented that *"In this regard, AERA and Calicut Airport must ensure that all non- essential capital expenditure should be put on hold or deferred, and only such capital expenditure deemed critical from a safety or security compliance perspective may be undertaken by Calicut Airport. Further, in case Calicut Airport wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines."*
- 5.3.7 *"Further, FIA requested AERA to conduct independent study on allocation of assets and ensure that any capex approved by the AERA is within the prescribed normative norms by AERA."*

### **5.4 AAI's response to Stakeholders' comments on Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period**

- 5.4.1 AAI has submitted that *"the total capital spends proposed for the third control period is only ₹ 86.74 Crores for an annual normal- expected passenger throughput of about 3-3.5 MPPA. AAI is cognizant of the current pandemic scenario has taken a conscious decision to keep the spend at the bare minimum levels. It can be seen from the above table that the major spend out of ₹ 86.74 Crores is about ₹ 18 Crores on safety and security equipment and ₹ 20 Crores on runway re-carpeting. Almost 50% of the capital expenditure is only for enhancing safety and security. Rest of the spend is to replace/upgrade minimal assets which are old and worn out"*





**5.5 Authority's analysis on Stakeholders' comments regarding Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period**

5.5.1 The Authority has noted the comments of AAI on allocation of ratios. The Authority feels that there should be continued efforts by AAI to increase the efficiency in the operation of airports in generating of Non- aeronautical revenue. The Authority decides to consider the ratio of Terminal building as 92:8 (Aeronautical : Non-aeronautical), in line with IMG norms and IATA, as also approved for other similar Airports.

5.5.2 The Authority has also noted the comments of AAI on Financing Allowance (FA) and has expressed its view regarding the treatment on FA (Refer para No.5.2.2 of the tariff order).

Further, the Authority is of opinion regarding Financing Allowance that there is no reason for to deviate from the proposal made by it regarding Financing Allowance as detailed in para 3.4.17 and has decided not to provide Financing Allowance on capital projects that were funded out of equity/ own funds.

5.5.3 The Authority has noted AAI's comments on reduction of 1% of the project cost from ARR/Target Revenue, if any particular project is not capitalized as approved in the Tariff Order. The Authority had proposed to reduce (readjustment) 1% of the project cost from ARR/Target Revenue as re-adjustment in case any particular project is not capitalized as per approval in the Tariff Order. It is clarified that in case there is delay in completion of project beyond the timeline given in the tariff order, due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next control period.

5.5.4 The Authority has examined the comments of FIA regarding undertaking only essential capital expenditure that are deemed critical from a safety or security compliance perspective and the response of the Airport Operator thereon. In this regard, the Authority has reviewed the capex projected by AAI for the current control period (i.e. ₹ 86.74 Crores) considering the nature of essentiality, need etc., and agreed with the justification and reasonability as stated in the response of the Airport Operator at para 5.2.16 of the tariff order.

5.5.5 Further, Allocation of Assets between Aeronautical and Non-aeronautical have been done based on the actual usage/ availability of the assets. The common assets within/ outside the terminal have been apportioned between 'Aeronautical' and 'Non-aeronautical' based on a reasonable driver such as Terminal Building ratio, Employee ratio etc. Based on the above assessment on the actual availability/ usage of the assets, the Authority has derived the ratio of 94% of Aeronautical assets to the total assets.

5.5.6 The Authority has also examined the comments of FIA on conducting an independent study on the allocation of assets. In this regard, the Authority believes that the requirement of an independent study on allocations of assets will depend upon the size, scale, complexity, and multiple ownerships of overall assets to ascertain the Aeronautical portion. In this context, the Authority would like to emphasize that an independent study was conducted in the recent past to study the allocation of assets for bigger Airports particularly PPP airports. However, considering the volume and nature of operation at Calicut Airport, the Authority decided to accomplish this exercise in-house.

5.5.7 The Authority has re-computed Allocation of assets to Aeronautical and Non-aeronautical, Depreciation and RAB for the Third Control Period after considering the actual capex and closing RAB of FY 2020-21 (as explained under true up of RAB for the Second Control Period) and the same are presented in the tables below:





Table 48: Allocation of Opening Gross Block of Assets as on April 1, 2021 between Aeronautical and Non-aeronautical decided by the Authority

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS and Cargo Assets)	ANS Assets	Non-Aero Assets (Including Cargo)	Pure Aero Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
	A = B+C+D+E	B	C	D	E = F+G	F	G	H = D+F	I = H/A
Runways, Taxiways & aprons	173.01	-	-	173.01	-	-	-	173.01	100.00%
Roads, Bridges & culverts	13.48	-	1.05	12.43	-	-	-	12.43	92.21%
Buildings - Terminal	149.05	3.62	0.02	4.26	141.15	130.05	11.10	134.31	90.11%
Buildings - Temporary	0.02	-	-	0.02	-	-	-	0.02	100.00%
Buildings - Residential	4.70	1.14	-	0.18	3.38	3.29	0.09	3.47	73.83%
Security Fencing	0.43	-	-	0.43	-	-	-	0.43	100.00%
Boundary Wall - Operational	7.03	-	-	7.03	-	-	-	7.03	100.00%
Buildings - Others	13.07	0.22	-	12.14	0.72	0.68	0.04	12.81	98.01%
Computers & Peripherals	1.00	0.38	-	0.59	0.04	0.04	0.00	0.62	62.00%
Computer Software	0.54	0.20	-	0.27	0.08	0.07	0.01	0.34	62.96%
Machinery	34.50	7.70	-	21.54	5.26	4.85	0.41	26.40	76.52%
Tools & equipment	20.10	0.28	-	16.57	3.25	3.02	0.23	19.58	97.41%
Office Furniture	1.35	0.31	-	0.89	0.15	0.13	0.02	1.02	75.56%
Vehicles	7.62	0.21	-	7.29	0.12	0.12	0.00	7.41	97.24%
Vehicles - Cars & Jeeps	1.40	0.26	-	1.03	0.11	0.11	0.00	1.14	81.43%
Electrical Installations	149.28	5.27	-	124.19	19.83	17.99	1.85	142.18	95.24%
Office Equipment	0.70	0.09	0.01	0.39	0.21	0.18	0.03	0.57	81.43%
ATM Furniture	5.36	1.01	0.00	2.21	2.15	2.01	0.14	4.21	78.54%
X-Ray Equipment	8.15	-	-	8.15	-	-	-	8.15	100.00%
CFT & Firefighting Equipment	26.21	-	-	26.21	-	-	-	26.21	100.00%
Furniture & Fixtures - Trolleys	0.46	-	-	0.46	-	-	-	0.46	100.00%





Asset Category	Total Assets (Inclusive of ANS and Cargo Assets)	ANS Assets	Non-Aero Assets (Including Cargo)	Pure Aero Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
<b>Total</b>	<b>617.50</b>	<b>20.69</b>	<b>1.08</b>	<b>419.29</b>	<b>176.43</b>	<b>162.53</b>	<b>13.91</b>	<b>581.82</b>	<b>94.22%</b>

Table 49: Depreciation decided by the Authority for the Third Control Period

(₹ Crores)

Details of Asset	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land	-	-	-	-	-	-
Runways, Taxiways & aprons	2.41	2.44	2.55	2.55	2.54	12.48
Roads, Bridges & culverts	0.67	0.87	2.12	3.36	3.56	10.59
Buildings - Terminal	4.37	4.47	4.61	4.66	4.66	22.77
Buildings - Residential	0.08	0.08	0.08	0.08	0.08	0.39
Buildings - Temporary	-	-	-	-	-	-
Security Fencing	0.04	0.04	0.04	0.04	0.04	0.21
Boundary Wall - Operational	0.37	0.36	0.31	0.30	0.30	1.65
Buildings - Others	0.42	0.43	0.43	0.43	0.43	2.15
Computers & Peripherals	0.00	0.01	0.03	0.04	0.08	0.16
Computer Software	0.01	0.01	0.01	0.00	-	0.03
Machinery	1.19	1.19	1.19	1.19	1.18	5.94
Tools & Equipment	0.92	0.92	0.92	0.91	0.91	4.57
Office Furniture	0.07	0.07	0.07	0.05	0.03	0.30
Furniture & Fixtures - Trolleys	0.09	0.00	0.00	0.10	0.19	0.38
Vehicles	0.84	0.91	0.96	0.99	0.99	4.70
Vehicles - Cars & Jeeps	0.15	0.23	0.30	0.31	0.28	1.26
Electrical Installations	8.31	9.53	10.45	10.41	10.36	49.06
Office Equipment	0.09	0.07	0.05	0.04	-	0.25
ATM Furniture	0.34	0.33	0.33	0.33	0.27	1.61
X-Ray Equipment	0.34	0.35	0.35	0.35	0.35	1.75
CFT & Firefighting equipment	1.58	1.59	0.97	0.95	0.75	5.83
	<b>22.31</b>	<b>23.90</b>	<b>25.76</b>	<b>27.09</b>	<b>27.01</b>	<b>126.08</b>

Table 50: RAB decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1) (refer table 15)	273.34	263.89	278.18	281.25	259.79	
Additions (2) (refer table 43)	12.87	38.19	28.85	5.63	1.20	86.74
Disposal/Transfers (3)	-	-	-	-	-	0.00
Depreciation (4) (refer table 49)	22.31	23.90	25.76	27.09	27.01	126.08
Closing RAB (5) = [(1) + (2) - (3) - (4)]	263.89	278.18	281.25	259.79	233.98	





Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB = [(1) + (5)]/2	268.62	271.04	279.72	270.52	246.89	

#### 5.6 Authority's decisions regarding Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period

Based on the material before it and based on its analysis, the Authority has decided the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Third Control Period:

- 5.6.1 To consider allocation of gross block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical assets as detailed in Table 48.
- 5.6.2 To adopt the Capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 43.
- 5.6.3 To true up the Capital expenditure on actuals at the time of determination of tariff for Fourth Control Period.
- 5.6.4 To reduce (adjust) 1% of the uncapitalised portion of the project cost from the ARR/ Target Revenue in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period
- 5.6.5 To consider depreciation as per Table 49 for the Third Control Period.
- 5.6.6 To consider RAB for the Third Control Period for Calicut International Airport as per Table 50.





## 6. FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

### 6.1 AAI's submission of FRoR for Calicut International Airport for the Third Control Period

- 6.1.1 AAI had considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority for other AAI airports, including Chennai, Jaipur, Patna among others.
- 6.1.2 AAI had submitted that all project financing activities are undertaken centrally by AAI's Corporate Office, New Delhi. The funds are then apportioned among airports by the Corporate Office, New Delhi.

### 6.2 Authority's examination and proposal regarding of FRoR for the Third Control Period at Consultation stage

- 6.2.1 The Authority had recognized that AAI's capital structure may not be regarded as an efficient one as it doesn't optimize the cost of funds from a regulatory perspective. The Authority desired that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing and leveraging AAI's credit ratings.
- 6.2.2 The Authority had earlier considered the Fair Rate of Return at 14% for other similar airports such as Jaipur, Patna, Chennai etc. Accordingly, the Authority proposed to consider the Fair Rate of Return at 14%.
- 6.2.3 Based on the above, the Authority proposed to consider FRoR as per table below for Calicut Airport for the Third Control Period:

Table 51: Fair Rate of Return proposed to be considered by the Authority for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Fair Rate of Return	14.00%	14.00%	14.00%	14.00%	14.00%

### 6.3 Stakeholders' comments regarding Fair Rate of Return for the Third Control Period

- 6.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to Fair rate of Return for the Third Control Period. The comments by stakeholders are presented below:

#### AAI's comments on Fair Rate of Return for the Third Control Period

- 6.3.2 No comments were received from AAI on this Chapter.

#### Other Stakeholders' comments regarding Fair Rate of Return for the Third Control Period

- 6.3.3 FIA has commented the following:

- "At present the Fair Rate of Return (FRoR) being considered by the AERA is 14 % towards Calicut Airport's investment. However, while such fixed/ assured return favours the airport operator, it creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.
- Due to such fixed/ assured returns, airport operators like Calicut Airport have no incentive to look





*for productivity improvement or ways of increasing efficiencies and take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. In the present scenario any assured return on investment to any services providers like Calicut Airport, in excess of three (3) % (including those on past orders), i.e., being at par with bank fixed deposits (i.e., return on investment after the income tax), will be onerous for the airlines.*

- iii. *Without prejudice to the above, in case the AERA is unable to accept the recommendation mentioned above by FLA, the Authority is requested to conduct an independent study for determination of FRoR to be provided to Calicut Airport. Such independent study can be exercised by the AERA in terms of powers conferred under the AERA Act, and in line with studies being conducted in case of certain major airport operators."*

#### **6.4 AAI's response to stakeholders' comments regarding Fair Rate of Return for the Third Control Period**

- 6.4.1 AAI has submitted that *"the cost of equity when computed for these airports, would work out to about 15.5% to 16%. However, taking cognizance of the fact that using only equity-based funds without debt leverage to fund the capital spends is not most efficient, AERA has proposed an FRoR of only 14%. The extract of the CP is provided below:*

*7.2.1 - The Authority has recognized that AAI's capital structure may not be regarded as an efficient one as it doesn't optimize the cost of funds from a regulatory perspective. The Authority desires that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing and leveraging AAI's credit ratings.*

*"7.2.2 - The Authority had earlier considered the Fair Rate of Return at 14% for similar airports such as Jaipur, Patna, Chennai etc. Accordingly, the Authority proposes to consider the Fair Rate of Return at 14%.*

*AAI hence submits that not having a leveraged financing structure has already been factored by AAI by considering an FRoR of 14%. Further, suggesting that a return equal to the interest rate of bank to be applied does not factor in the risk associated with the aviation business and more specifically the uncertainties in this current pandemic scenario."*

#### **6.5 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return for the Third Control Period**

- 6.5.1 The Authority has examined the comments of FIA and the counter comments by AAI on the FRoR being allowed to AAI.
- 6.5.2 The Authority also feels that the capital structure of AAI is not efficient and has asked AAI to make its capital gearing efficient by raising debt funds (as also mentioned in para 6.2.1 in the Tariff order). In this respect, the Authority has noted that in the recent times, AAI has taken steps to make its capital structure efficient by availing debt for executing capital expansion plans at certain Airports.
- 6.5.3 Hence, at this juncture, the Authority does not intend to conduct an independent study for assessing the normative capital structure as FRoR is expected to come down over a period on account of the initiatives of AAI.
- 6.5.4 The Authority may use the notional Debt-Equity ratio for AAI Airports in future in line with PPP Airports.





**6.6 Authority's decision regarding Fair Rate of Return (FRoR) for the Third Control Period**

Based on the material before it and based on its analysis, the Authority has decided the following with regard to FRoR for the Third Control Period.

6.6.1 To consider FRoR for Calicut Airport for the Third Control Period as per Table 51.





## **7. INFLATION FOR THE THIRD CONTROL PERIOD**

### **7.1 AAI's submission on inflation for Calicut International Airport for the Third Control Period**

- 7.1.1 AAI had not made any submission related to inflation as part of its MYTP submission for Calicut International Airport for the Third Control Period.

### **7.2 Authority's examination and proposal regarding inflation for the Third Control Period at Consultation stage**

- 7.2.1 The Authority proposed to consider median of WPI inflation forecasts (WPI Non-food Manufactured products) for the FY 2021-22 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69" published by the Reserve Bank of India (RBI). An extract of the results of RBI's annual forecast of WPI inflation (WPI Non-food Manufactured products) for the 4<sup>th</sup> quarter of FY 2020-21 and the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarters of FY 2021-22 was reproduced below:

- 4<sup>th</sup> Quarter of FY 2020-21 – 5.5%
- 1<sup>st</sup> Quarter of FY 2021-22 – 6.2%
- 2<sup>nd</sup> Quarter of FY 2021-22 – 5.8%
- 3<sup>rd</sup> Quarter of FY 2021-22 – 4.3%
- 4<sup>th</sup> Quarter of FY 2021-22 – 2.6%

### **7.3 Stakeholders' comments on Inflation for Third Control Period**

- 7.3.1 No comments were received from Stakeholders on Inflation for the Third Control Period.

### **7.4 Authority's analysis on Stakeholders' comments regarding Inflation for the Third Control Period**

- 7.4.1 The Authority has noticed that there are no stakeholder's comments regarding inflation proposed for the Third Control Period. Hence, the Authority has decided to consider the inflation rate as 4.9% which is the average of the median WPI inflation of the 4<sup>th</sup> quarter of FY 2020-21 and 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> quarters of FY 2021-22, given in the 69<sup>th</sup> round of survey of professional forecasters on macroeconomic indicators of RBI.

### **7.5 Authority's decision relating to Inflation for the Third Control Period**

Based on the material before it and its analysis, the Authority has decided the following with regard to Inflation for the Third Control Period:

- 7.5.1 To consider inflation at 4.9% for the Third Control Period based on average of the median WPI inflation of the 4<sup>th</sup> quarter of FY 2020-21 and 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> quarters of FY 2021-22, given in the 69<sup>th</sup> round of survey of professional forecasters on macroeconomic indicators of RBI.





**8. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD****8.1 AAI's submission of Non-aeronautical revenue for Calicut International Airport for the Third Control Period**

8.1.1 AAI had forecasted revenue from services other than Aeronautical services as below:

*Table 52: Non-aeronautical revenue projections submitted by Calicut International Airport*

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
<b>1. Trading concessions</b>						
Restaurant / snack bars	1.09	1.64	2.84	3.62	4.46	13.66
T.R. stall	5.58	8.41	14.50	18.52	22.81	69.82
Hoarding & display	0.16	0.25	0.43	0.54	0.67	2.05
<b>2. Rent and services</b>						
Land leases	0.57	0.61	0.66	0.71	0.76	3.31
Building (residential)	-	-	-	-	-	-
Building (Non-residential)	3.05	3.28	3.52	3.79	4.07	17.71
<b>3. Miscellaneous</b>						
Duty Free	4.91	7.4	12.76	16.30	20.07	61.45
Car rentals	0.10	0.15	0.25	0.32	0.40	1.21
Car parking	0.71	1.07	1.85	2.36	2.91	8.90
Admission tickets	0.20	0.31	0.53	0.68	0.84	2.56
Other income/ sale of scrap etc.	0.73	1.09	1.89	2.41	2.97	9.09
<b>Total</b>	<b>17.10</b>	<b>24.21</b>	<b>39.23</b>	<b>49.27</b>	<b>59.95</b>	<b>189.76</b>

8.1.2 The growth rates assumed by AAI have been presented in the table below:

*Table 53: Growth rates assumed by Calicut International Airport for Non-aeronautical revenue*

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>1. Trading concessions</b>					
Restaurant / snack bars	36.26%	50.66%	72.50%	27.74%	23.11%
T.R. stall	36.26%	50.66%	72.50%	27.74%	23.11%
Hoarding & display	36.26%	50.66%	72.50%	27.74%	23.11%
<b>2. Rent and services</b>					
Land leases*	0.00%	7.50%	7.50%	7.50%	7.50%





Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Building (residential)	-	-	-	-	-
Building (Non-residential)	7.50%	7.50%	7.50%	7.50%	7.50%
<b>3. Miscellaneous</b>					
Duty Free	36.26%	50.66%	72.50%	27.74%	23.11%
Car rentals	36.26%	50.66%	72.50%	27.74%	23.11%
Car parking	36.26%	50.66%	72.50%	27.74%	23.11%
Admission tickets	36.26%	50.66%	72.50%	27.74%	23.11%
Other income/ sale of scrap etc.	36.26%	50.66%	72.50%	27.74%	23.11%

\* There is no increase in land lease rentals projected for the first tariff year (FY 2021-22). Hence, the growth rate is shown as "zero" in FY 2021-22.

## 8.2 Authority's examination and proposal regarding Non-aeronautical revenue for the Third Control Period at Consultation stage

- 8.2.1 The Authority noted that AAI's projection of Non-aeronautical revenues for the Third Control Period for Calicut Airport (₹ 189.76 Crores) is lesser than the actual revenue reported by Calicut Airport for true up of the Second Control Period (which is at ₹ 194 Crores). Further, the Authority noted that while the projections towards Operation and Maintenance expenses for the Third Control Period have increased substantially, the Non-aeronautical revenues have been projected less as compared to the Second Control Period.
- 8.2.2 The Authority examined the Non-aeronautical revenues for FY 2019-20 submitted by AAI and found the figures to be in line with the trial balances for FY 2019-20. The figures for FY 2020-21 were provisional and subject to audited financials.

### Utilisation of earmarked commercial space

- 8.2.3 The Authority examined the commercial area earmarked by Calicut Airport for letting out to the Concessionaires and the actual area let out to the Concessionaires during the FY 2016-17 to FY 2020-21 and noted a wide variance (ranging from 7% to 60%) in the actual space let out to the Concessionaires. Details of the year-wise variances have been tabled below:

Table 54: Underutilization of earmarked commercial space

Year	Earmarked area in Sq. m. (a)	Allotted area in Sq. m. (b)	Under Utilization % (a-b)/a %)
2016-17	1,468.06	1,314.32	10%
2017-18	1,550.71	622.53	60%
2018-19	1,897.95	1,757.72	7%
2019-20	2,101.95	1,324.46	37%
2020-21	2,105.00	903.33	57%

Further the Authority noted that the proportion of Non-aeronautical area to total terminal building area is only 5% (terminal building ratio) as against the ratio of Non-aeronautical area of other





similar airports such as Trichy, Raipur, Varanasi and Amritsar.

Also, the Authority noted that a New International Arrival Block (NIAB) with terminal building area of 18,877.84 Sq.m. was operationalized during the FY 2018-19. It was planned to set up duty free shops in NIAB, as detailed in the minutes of the AUCC meeting held on January 30, 2017.

8.2.4 Considering the above underutilization, the Authority recommended that Calicut Airport should initiate measures for letting out the earmarked space within the existing Terminal Building and also utilize the commercial space available in the NIAB.

8.2.5 With the optimal utilization of the earmarked commercial space, the Authority believed that Calicut Airport will be able to increase the proportion of Non-aeronautical area to the total terminal building area from the existing 5% (which is very low as compared to the other similar Airports) to around 8% to 12% (which is the optimum terminal building ratio as approved in other similar airports).

#### **Revenue from Trading Concessions and Miscellaneous**

8.2.6 AAI had proposed revenues from Concession Agreements for FY 2021-22 and FY 2022-23 at the rate of 80% of FY 2019-20. Thereafter, an annual increase of 4%, 8% and 12% for revenues from Trading Concessions and Miscellaneous had been proposed for the last 3 tariff years such as FY 2023-24, FY 2024-25 and FY 2025-26, factoring in the growth in traffic for the above tariff years by assuming the passenger traffic for FY 2019-20 as the base. The Authority noted that the above waiver in the contractual revenues (20%) from the Concessionaires was allowed by AAI vide its Commercial Circular No. 24/ 2020 and 26/ 2020, considering the impact of COVID-19 on the Aviation sector.

8.2.7 With the progressive utilization of the earmarked commercial space and assuming that passenger traffic for the last three tariff years would revert to the pre COVID-19 levels (of FY 2019-20), the Authority proposed to consider a growth rate of 15% in the revenues (based on the passenger traffic forecasted by the Authority) from Trading Concessions and Miscellaneous for the years 2023-24 to 2025-26.

#### **Revenue from Rent and Services**

8.2.8 The Authority had noted that AAI has estimated revenue from land lease for FY 2021-22 by assuming a 0% growth over FY 2020-21 revenues. AAI had used a growth of 7.5% per annum to estimate revenue from land leases and Building Non- Residential for the other tariff years. The Authority proposed to consider the increase in revenues as submitted by AAI on Land Lease and Building Non- Residential for the Third Control Period.

8.2.9 The revised Non-aeronautical revenues as per Authority's examination have been presented in the table below:

*Table 55: Non-aeronautical revenues proposed by the Authority for the Third Control Period*

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
<b>1. Trading concessions</b>						
Restaurant / snack bars	1.23	2.12	4.40	4.63	4.87	17.26
T.R. stall	6.31	10.84	22.49	23.65	24.89	88.18
Hoarding & display	0.19	0.33	0.66	0.69	0.73	2.59



Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
<b>2. Rent and services</b>						
Land leases	0.57	0.61	0.66	0.71	0.76	3.31
Building (residential)	-	-	-	-	-	-
Building (Non-residential)	3.05	3.28	3.52	3.79	4.07	17.71
<b>3. Miscellaneous</b>						
Duty Free	5.55	9.54	19.80	20.82	21.91	77.62
Car rentals	0.11	0.19	0.39	0.41	0.43	1.53
Car parking	0.80	1.39	2.87	3.02	3.18	11.24
Admission tickets	0.23	0.40	0.82	0.87	0.91	3.23
Other income/ sale of scrap etc.	0.82	1.41	2.93	3.08	3.24	11.49
<b>Total</b>	<b>18.86</b>	<b>30.09</b>	<b>58.55</b>	<b>61.66</b>	<b>64.99</b>	<b>234.15</b>

8.2.10 The revised growth rates as per Authority's examination have been presented in the table below:

Table 56: Growth rates in Non-aeronautical revenue proposed by the Authority

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>1. Trading concessions</b>					
Restaurant / snack bars	46.81%	68.53%	117.98%	5.15%	5.27%
T.R. stall	46.81%	68.53%	117.98%	5.15%	5.27%
Hoarding & display	46.81%	68.53%	117.98%	5.15%	5.27%
<b>2. Rent and services</b>					
Land leases	0%	7.5%	7.5%	7.5%	7.5%
Building (residential)	-	-	-	-	-
Building (Non-residential)	7.5%	7.5%	7.5%	7.5%	7.5%
<b>3. Miscellaneous</b>					
Duty Free	46.81%	68.53%	117.98%	5.15%	5.27%
Car rentals	46.81%	68.53%	117.98%	5.15%	5.27%
Car parking	46.81%	68.53%	117.98%	5.15%	5.27%
Admission tickets	46.81%	68.53%	117.98%	5.15%	5.27%
Other income/ sale of scrap etc.	46.81%	68.53%	117.98%	5.15%	5.27%

### 8.3 Stakeholders' comments on Non-aeronautical Revenue for the Third Control Period

8.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to Non-aeronautical Revenue for the Third Control Period. The comments



by stakeholders are presented below:

**AAI's comments on Non-aeronautical Revenue for the Third Control Period**

8.3.2 No comments were received from AAI on this Chapter.

**Other Stakeholders' comments regarding Non-aeronautical Revenue for the Third Control Period**

8.3.3 FIA has commented the following with regard to Non-aeronautical revenue for the Third Control Period:

- i. *"With regards to para 9.2.1 in the Consultation Paper, wherein the projects Non-aeronautical Revenue (NAR) for Third Control Period is projected lower than the actual revenue Second Control Period, FIA requests the AERA to kindly undertake detailed scrutiny examination with the assistance of an independent study. With regards to para 9.2.5, it is requested that Calicut Airport explores all avenues to maximize revenue from the utilization of terminal building for Non-aeronautical purposes, as deemed fit.*
- ii. *Without prejudice to the above, FIA submitted that increase in Non-aeronautical revenue is a function of passenger traffic growth, inflationary increase, and real increase/escalations in contract rates. However, FIA requests AERA to ensure no adjustments are proposed to Non-aeronautical revenue which is not dependent on traffic but are derived from agreements with Concessionaires."*

**8.4 AAI's response to Stakeholders' comments on Non-aeronautical Revenue for the Third Control Period**

8.4.1 AAI has submitted that *"NAR is not directly proportional to the passenger traffic as there are various factor which impact the NAR including the spending habits after the onset of pandemic. AAI has also given various support schemes to the concessionaires to tide over these testing times."*

8.4.2 AAI has further submitted *"that the NAR has been computed for the first 2 years of Third Control Period as follows:*

- i. *For FY 22, based on internal AAI Circular 24 read with Circular 26 (copies of which have been shared during the review of MYTP), support schemes were introduced in the airport in view of supporting the concessionaires during the pandemic period. Hence, concession on the fees paid in whatsoever form by the concessionaires was provided to the extent of 40% till Jun 21 and to the extent of 20% after this period. The revenue computation also took into consideration increase in the number of passengers wherever applicable."*

**8.5 Authority's analysis on Stakeholders' comments regarding Non-aeronautical Revenue for the Third Control Period**

8.5.1 The Authority has noted the comments from FIA on Non-aeronautical revenue and the counter response from AAI.

8.5.2 The Authority has increased the Non-aeronautical revenue in Third control period after doing detailed analysis of passenger traffic and other relevant factors. Therefore, the Authority's projection regarding Non-aeronautical revenue is more than the actual Non-aeronautical revenue of the Second Control Period and also more than the Non-aeronautical revenue projected by AAI for the Third Control Period.

8.5.3 The Authority has re-computed Non-aeronautical revenue for the Third Control Period after





considering the revised passenger traffic and ATM shown in Table 38. The same is presented in the table below:

*Table 57: Non-aeronautical revenues decided by the Authority for the Third Control Period*  
(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
<b>1. Trading concessions</b>						
Restaurant / snack bars	1.22	2.12	4.40	4.63	4.87	17.26
T.R. stall	6.27	10.84	22.49	23.65	24.89	88.14
Hoarding & display	0.18	0.32	0.66	0.69	0.73	2.58
<b>2. Rent and services</b>						
Land leases	0.57	0.61	0.66	0.71	0.76	3.31
Building (residential)	-	-	-	-	-	-
Building (Non-residential)	3.05	3.28	3.52	3.79	4.07	17.71
<b>3. Miscellaneous</b>						
Duty Free	5.51	9.54	19.80	20.82	21.91	77.58
Car rentals	0.11	0.19	0.39	0.41	0.43	1.53
Car parking	0.80	1.39	2.87	3.02	3.18	11.24
Admission tickets	0.23	0.40	0.82	0.87	0.91	3.23
Other income/ sale of scrap etc.	0.82	1.40	2.93	3.08	3.24	11.47
<b>Total</b>	<b>18.76</b>	<b>30.09</b>	<b>58.54</b>	<b>61.67</b>	<b>64.99</b>	<b>234.05</b>

## 8.6 Authority's decisions regarding Non-aeronautical revenues for the Third Control Period

Based on the material before it and based on its analysis, the Authority has decided the following with regard to Non-aeronautical revenue for the Third Control Period.

- 8.6.1 To consider Non-aeronautical revenues for the Third Control Period for Calicut Airport in accordance with Table 57.





## 9. OPERATION AND MAINTENANCE EXPENDITURE FOR THE THIRD CONTROL PERIOD

### 9.1 AAI's submission of Operation and Maintenance expenditure for Calicut International Airport for the Third Control Period

9.1.1 Operation and Maintenance (O&M) expenditure submitted by AAI had been segregated into the following:

- Payroll Expenses,
- Admin and General Expenditure,
- Repair and Maintenance Expenditure,
- Utilities and Outsourcing Expenditure, and
- Other outflows, i.e., Collection Charges on UDF

9.1.2 The expenses related to AAICLAS, ANS, and CISF Security, had not been considered by AAI.

9.1.3 AAI had segregated the expenses into Aeronautical expenses, Non-aeronautical expenses, and Common Expenses. The Common Expenses had been further segregated into Aeronautical and Non-aeronautical based on the relevant Ratios.

9.1.4 AAI submitted that the allocation of CHQ/RHQ expenses among individual airports had been done based on the revenue of each Airport.

9.1.5 The summary of Aeronautical expenses proposed by Calicut Airport for the Third Control Period had been presented in the table below:

*Table 58: Operation and Maintenance (O&M) expenditure submitted by Calicut International Airport*  
(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	37.68	40.31	43.14	46.16	49.39	216.67
Payroll Costs - CHQ/RHQ	8.44	8.86	9.30	9.77	10.25	46.61
Repair & Maintenance	18.47	20.32	22.35	24.58	28.05	113.76
Utilities & Outsourcing Expenses	12.67	12.77	12.87	12.98	13.10	64.39
Admin. & Other Expenses - Excluding CHQ/RHQ	12.20	13.33	14.58	15.95	17.45	73.51
Admin. & Other Expenses - CHQ/RHQ	41.99	44.09	46.29	48.61	51.04	232.02
Other Outflows	0.18	0.26	0.34	0.42	0.49	1.69
<b>Total Operating Expenditure</b>	<b>131.63</b>	<b>139.93</b>	<b>148.86</b>	<b>158.46</b>	<b>169.77</b>	<b>748.65</b>

9.1.6 The summary of growth rates assumed by AAI for the operation and maintenance expenses had been presented in the table below:





Table 59: Growth rates in O&amp;M expenditure submitted by Calicut International Airport

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Payroll Costs- Excluding CHQ/RHQ	7%	7%	7%	7%	7%
Payroll costs – CHQ/ RHQ	5%	5%	5%	5%	5%
Repair & Maintenance – Civil, Electrical, IT and others	10.00%	10.00%	10.00%	10.00%	10.00%
Utilities (Power and water charges)	0%	0%	0%	0%	0%
Outsourcing Charges and Consumption and Stores and Spares	10.00%	10.00%	10.00%	10.00%	10.00%
Admin & General expenses – excluding CHQ/ RHQ	10.00%	10.00%	10.00%	10.00%	10.00%
Admin & General expenses - CHQ and RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Other Outflows	63.51%	41.25%	32.70%	22.83%	18.37%

9.1.7 Further, the summary of allocation of expenses between Aeronautical and Non-aeronautical as proposed by AAI had been given in the table below:

Table 60: Allocation of O&amp;M expenses submitted by Calicut International Airport for FY 2019-20

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.00%	3.00%
Payroll Costs –CHQ/RHQ	95.00%	5.00%
Repair & Maintenance – Civil	95.00%	5.00%
Repair & Maintenance – Electricity	95.00%	5.00%
Repair & Maintenance - IT	97.61%	2.39%
Utilities	97.38%	2.62%
Upkeep Expenses	95.00%	5.00%
Admin. & Other Expenses - Excluding CHQ/RHQ	97.00%	3.00%
Admin. & Other Expenses - CHQ/RHQ	95.00%	5.00%
Other Outflows	100%	0.00%

## 9.2 Authority's examination and proposal regarding Operation and Maintenance (O&M) expenditure for the Third Control Period at Consultation stage

9.2.1 The Authority examined the trial balance for FY 2019-20 and noted that the expense figures had been correctly considered by AAI. Further, it was noted that the Operation and Maintenance (O&M) expenses approved by AERA in the tariff order for the Second Control Period for Calicut





Airport was for ₹ 324.10 Crores and the actual O&M expenses approved by the Authority for true up of the Second Control Period is for ₹ 397.05 Crores (refer table 27). However, AAI had submitted O&M expenses for Calicut International Airport for the Third Control Period for ₹ 748.65 Crores, which is 89% higher than the O&M expenses approved by the Authority for true up of the Second Control Period (which is for ₹ 397.05 Crores).

**Allocation of O&M expenses between Aeronautical and Non-aeronautical activities**

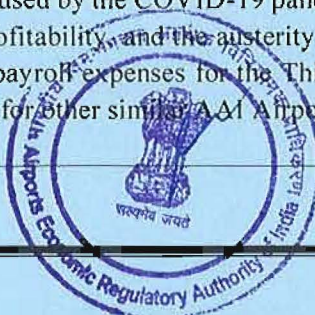
- 9.2.2 The Authority examined the allocation of expenses between Aeronautical and Non-aeronautical activities and noted the following:
- 9.2.3 The Authority observed that AAI has allocated 95% of Payroll expenses – CHQ/RHQ and Administration and General expenses - CHQ/RHQ to Aeronautical expenses. The Authority found it to be appropriate based on its decision for other AAI airports.
- 9.2.4 AAI had segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from the Concessionaires. The Authority noted that the Aeronautical proportion of 97.38% had been derived by considering the headcount of Non-aeronautical staff within the Airport. Based on the review of the above assumptions, the Authority considered the basis of apportionment by AAI to be appropriate.
- 9.2.5 Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Civil and Electrical) had been apportioned in the ratio of terminal building by AAI which is 95%: 5%. However, the Authority preferred to apportion the above expenses in the revised Terminal Building ratio of 92%:8%, as detailed in the earlier sections on Allocation of assets (Chapter 5).
- 9.2.6 The Authority proposed the following allocation of O&M expenses into Aeronautical and Non-aeronautical:

*Table 61: Allocation of O&M expenses proposed by the Authority for FY 2019-20*

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.00%	3.00%
Payroll Costs –CHQ/RHQ	95.00%	5.00%
Repair & Maintenance – Civil	92.00%	8.00%
Repair & Maintenance – Electricity	92.00%	8.00%
Repair & Maintenance - IT	97.61%	2.39%
Utilities	97.38%	2.62%
Upkeep Expenses	92.00%	8.00%
Admin. & Other Expenses - Excluding CHQ/RHQ	97.00%	3.00%
Admin. & Other Expenses - CHQ/RHQ	95.00%	5.00%
Other Outflows	100%	0.00%

**Payroll expenses**

- 9.2.7 AAI considered a growth rate of 7% in payroll expenses beyond FY 2019-20. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposed to consider a growth rate of 5% in payroll expenses for the Third Control period beginning from FY 2021-22, as was also considered for other similar AAI Airports such as Trichy, Raipur etc. The





above restriction in the growth rate in payroll expenses, was proposed with the perspective of rationalizing the costs of the Airport.

**CHQ/ RHQ Administration and General expenses**

- 9.2.8 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Calicut International Airport for the Third Control Period. Based on the methodology explained under para 3.6.4 above (on true up of expenses for the Second Control Period), the Authority had derived the allocable expenses of CHQ and RHQ to Calicut International Airport for the Third Control Period, by escalating the spend for each tariff year by 5% based on the CHQ/ RHQ expenses allocated for the FY 2020-21. The same is presented in Table 63.

**Repairs and Maintenance expenses**

- 9.2.9 The Authority noted the projections made by AAI for Calicut International Airport towards Repair & Maintenance expenses and was of the view that Calicut International Airport had constructed NIAB, performed re-carpeting of runway and installed electrical fittings only during the previous Control Period. As most of these assets were newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposed to consider Repair & Maintenance expenses to be around 6% of the RAB (opening net block of the Third Control Period) and the same had been shown in Table 63.

**Expenses towards utilities**

- 9.2.10 The Authority examined the expenses towards utilities and noted the following:

- Power expenses: AAI had projected the power costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 10.30% of the total power costs). The Authority noted that the power recovery percentage is significantly lower than that of comparable airports and is of the view that with the gradual increase in the Non-aeronautical operations, AAI should increase the power recovery at a notional rate of 25% from the Concessionaires, in the Third Control Period.

The Authority noted that AAI had not proposed any increase in the net power costs for the Third Control Period.

- Water charges: The Authority noted that AAI had not proposed any increase in the water charges for the Third Control Period.

**Collection charges on UDF**

- 9.2.11 For other outflows, i.e., Collection Charges on UDF, AAI considered the growth rate to be the same as that of passenger traffic. The Authority proposed to use the same fundamental approach, as it finds the same to be a reasonable driver.

**CSR expenses**

- 9.2.12 AAI had projected ₹ 4.42 Crores as contribution towards Corporate Social Responsibility (CSR) expenses. The Authority examined AAI's submission regarding CSR expenses under Admin & General expenses and has re-computed the same in accordance with the statutory requirement under the Companies Act 2013, viz., 2% of the average profits of the preceding 3 financial years. The computation had been shown in the table below.

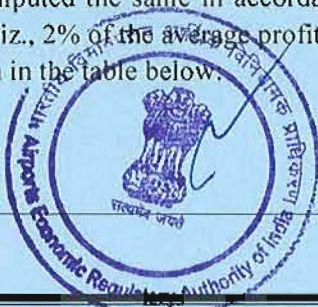




Table 62: Projected CSR Costs Vis-à-vis Maximum Cost mandated under the Companies Act, 2013

(₹ Crores)

Particulars	FY 2018- 19	FY 2019- 20	FY 2020- 21	FY 2021- 22	FY 2022- 23	FY 2023- 24	FY 2024- 25	FY 2025- 26	Total
Aeronautical revenues	118.95	127.79	33.07	60.64	137.13	210.65	235.21	241.84	1165.28
Non-aeronautical revenues (30% considered for Hybrid till)	15.96	14.49	3.99	5.66	9.03	17.57	18.5	19.5	104.70
Total revenues = (a)	134.91	142.28	37.06	66.30	146.16	228.22	253.71	261.34	1269.98
Operating expenses (other than CSR included in Admin & Gen Expenses)	79.15	100.97	104.38	105.3	109.08	114.54	119.43	123.13	855.98
Depreciation	13.63	20	22.17	22.09	23.68	25.54	26.87	26.79	180.77
Working Capital Interest	0	0	0.46	2.82	1.89		0	0	5.17
Total expenses = (b)	92.78	120.97	127.01	130.21	134.65	140.08	146.3	149.92	1041.92
Regulatory profit before tax (a-b)	42.13	21.31	-89.95	-63.91	11.51	88.14	107.41	111.42	228.06
Average of previous 3 FY's				-8.84	-44.18	-47.45	11.91	69.02	-19.53
2.00% of the average PBT (mandatory spend value) = (c)				-	-	-	0.24	1.38	1.62
Amount proposed to be spent on CSR = (d)				0.88	0.88	0.88	0.88	0.88	4.42
Amount higher than the mandatory spend = (d-c)				0.88	0.88	0.88	0.64	-	3.29
Amount allowed by the Authority towards CSR							0.24	0.88	1.12

9.2.13 As shown in the above table, out of the total CSR spend of ₹ 4.42 Crores claimed by AAI for Calicut International Airport, the Authority proposed to allow ₹ 1.12 Crores for the FY 2024-25 and FY 2025-26, as the same is within the mandatory spend values (2% of the average profits of the last 3 Financial Years).

#### Upkeep expenses

9.2.14 The Authority had reviewed the tender document of the contractor MESS for upkeep expenses and noted that the contracted rates are effective for 3 years and is extendable for 2 more years. There was no clause on escalation of the contracted rates during the above period. The Authority was of the view that for each tariff year across the Third control period, an increase of 4.9% towards inflationary effect should only be considered, instead of the 10% increase year-on-year as proposed by AAI. Hence, the Authority proposed to consider a 4.9% increase in Upkeep expenses year on year across the third control period

9.2.15 After incorporating the above observations by the Authority, the revised O&M expenses had been presented in the table below:

Table 63: Operation and Maintenance (O&amp;M) expenses proposed to be considered by the Authority for the Third Control Period at Consultation stage

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs - Excluding CHQ/RHQ	34.55	36.28	38.10	40.00	42.00	190.93



Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs - CHQ/RHQ	8.03	8.44	8.86	9.30	9.77	44.40
Repair & Maintenance	15.68	15.13	16.00	16.20	14.92	77.93
Power charges	11.33	11.33	11.33	11.33	11.33	56.66
Water charges	0.41	0.41	0.41	0.41	0.41	2.07
Outsourcing Expenses	0.93	1.02	1.12	1.23	1.36	5.66
Admin. & Other Expenses - Excluding CHQ/RHQ	9.41	10.14	10.94	12.04	13.61	56.14
Admin. & Other Expenses - CHQ/RHQ	24.75	25.99	27.29	28.65	30.08	136.76
Other Outflows	0.21	0.33	0.48	0.50	0.53	2.05
<b>Total Operating Expenditure</b>	<b>105.30</b>	<b>109.08</b>	<b>114.54</b>	<b>119.67</b>	<b>124.01</b>	<b>572.60</b>

9.2.16 Based on above considerations, the Authority proposed the following growth rates in Operation and Maintenance expenses.

Table 64: Growth rates in O&M expenses considered by the Authority for the Third Control Period at Consultation stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Payroll Costs- Including CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Repair & Maintenance – Civil, Electrical, IT and others.	6.00%	6.00%	6.00%	6.00%	6.00%
Utilities (Power and water charges)	0%	0%	0%	0%	0%
Outsourcing Charges and Consumption and Stores and Spares	10.00%	10.00%	10.00%	10.00%	10.00%
Upkeep Expenses	5.00%	5.00%	5.00%	5.00%	5.00%
CHQ and RHQ Expenses	5.00%	5.00%	5.00%	5.00%	5.00%
Admin. & Other Expenses - Excluding Upkeep and CHQ/ RHQ expenses.	10.00%	10.00%	10.00%	10.00%	10.00%
Other Outflows	62.1%	61.1%	44.4%	5.1%	5.3%

### 9.3 Stakeholders' comments on Operation and Maintenance Expenses for the Third Control Period

9.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021- 22 with respect to Operation and Maintenance Expenses for the Third Control Period. The comments by stakeholders are presented below:

#### AAI's comments on Operation and Maintenance Expenses for the Third Control Period

##### Payroll Costs

9.3.2 AAI has submitted "that the basis of increasing by 5% in line with other Orders has not been provided in the CP and request the Authority to consider the comments in Second Control Period (SCP) section where the base of FY 2020-21 has been drastically reduced without considering the actual spend till FY 2019-20. This will have an impact on the provision of the Third Control Period (TCP) while truing up in





*the Fourth Control Period."*

9.3.3 AAI has requested AERA to reconsider the SCP numbers and accordingly re-estimate TCP number.

**Repairs and Maintenance expenses**

9.3.4 AAI has submitted that *"the basis of considering 6% on opening RAB of TCP has not been provided in the Consultation Paper and has requested the Authority to consider the comments in SCP where the base of FY 2020-21 has been drastically reduced without considering the actual spend. Requests AERA to reconsider the SCP numbers and accordingly re-estimate TCP numbers."*

9.3.5 *"Hence, AAI requests AERA to consider the actual costs incurred for the second control period without restricting it to 6% on opening RAB. Terminal Buildings were built more than 20 years back and AAI submits that with ageing of the building and associated equipment, the R&M will only increase over the years. Moreover, applying a ratio on the depreciated WDV will further reduce the cost whereas the reality is that the costs will only increase over the years to make good the wear and tear over the years."*

9.3.6 AAI requests AERA to consider the amount which has been submitted in MYTP as the Repairs and Maintenance expenditure.

**Upkeep Expenses**

9.3.7 AAI has requested AERA *"to consider the increase in rates at the rate of 10% instead of 5% considering the explanations provided for the Second Control Period"*.

**CHO/ RHQ Cost**

9.3.8 AAI request the Authority *"to consider the comments in SCP where the base of FY 20-21 has been drastically reduced without considering the actual spend till FY 2019-20. AAI requests AERA to reconsider the SCP numbers and accordingly re-estimate TCP numbers."*

**Other Stakeholders' comments on Operation and Maintenance Expenses for the Third Control Period**

9.3.9 FIA has commented the following on Operation and Maintenance expenses for the Third Control Period:

*"We appreciate that an independent consultant, M/s R. Subramanian and Company LLP was appointed to assist in the examination of the MYTP submitted by Calicut Airport. We are unaware as to whether Calicut Airport has taken cost cutting measures including re-negotiations of all the cost items on its profit and loss account.*

*"It may be noted that cost incurred by Calicut Airport impacts the airlines, as such cost is passed through or borne by the airlines. In order to ensure that there is no adverse impact/increase in the tariff we request that AERA should:*

- a) Put on hold any increase in operational expenditure by Calicut Airport*
- b) Advise Calicut Airport to review its spending on operational expenditure and re-negotiate all the operational expenditure costs in a significant manner and address any increase in fees sought by Calicut Airport. Calicut Airport may be advised to reduce its cost by at least 35% and no escalation should be permitted; and*
- c) In view of the above, Calicut Airport should be directed to pass on cost benefits to the airlines.*
- d) In particular, we submit that:*





- i. *instead of a significant reduction in cost items of operating expenses, AERA has considered a Y-O-Y increase in O&M expenses. Such an increase in the name of escalation, in a highly uncertain environment, where airlines have made heavy losses, should be avoided.*

- ii. *Payroll cost:*

*Although the activity level has gone down drastically, rather than significant reduction in the cost, the employee expenses are proposed to increase Y-O-Y by 5% each year of the control period. It appears that Calicut Airport wants to recover its full employee cost from the airlines, which are facing significant challenges to meet its operating expenses.*

*We submit that there should not be any increase in manpower or manpower costs till the existing manpower is effectively utilized as it will take another two (2)- three (3) years to recover. Existing manpower can be reviewed and any additional costs due to contract manpower or otherwise should be reduced.*

*Without prejudice to the above, Calicut Airport needs to considerably rationalize/restructure its employee benefit expenses and other expenses and hold any revisions at least for the next two (2) years."*

#### **9.4 AAI's response to Stakeholders' comments on Operation and Maintenance Expenses for the Third Control Period**

- 9.4.1 *AAI has commented that "AAI has introduced various cost cutting measures as per internal guidelines. This has been carried out in various heads of expense including manpower cost and operating expenses.*
- 9.4.2 *AAI takes cognizance of the fact there is a need to rationalize all costs in view of the pandemic scenario in the interest of all the stakeholders.*
- 9.4.3 *AAI submits that various measures like limits on reimbursements, expense levels, etc. have been put in place. All these measures have broadly been considered in the projections of costs for the airport."*

#### **9.5 Authority's analysis on Stakeholders' comments regarding Operation and Maintenance Expenses for the Third Control Period**

- 9.5.1 The Authority has carefully examined the comments of AAI and FIA and has the following views on Operation and Maintenance expenses for the Third Control Period.

##### **Payroll Costs**

- 9.5.2 The Authority after detailed examination of the comments provided by AAI regarding drastic reduction of the payroll of FY 2020-21 (which was projected based on FY 2019-20) has considered a 6% Y-o-Y increase in pay roll cost for the Third control period based on the actual payroll cost of FY 2019-20. Further, the Authority has considered an increase of 5% Y-o-Y towards retirement benefit costs that are allocated by CHQ/ RHQ to Calicut Airport.

##### **Repairs and Maintenance expenses**

- 9.5.3 As mentioned by the Authority under True up of the Second Control Period, the Authority is of the view that in a competitive environment, it is imperative to run the operations of airport efficiently and adhere to robust economic & accounting principles/methodology.
- 9.5.4 The Authority is of the view that AAI should estimate its expenses towards Repairs & Maintenance based on an analysis of its need, essentiality and in accordance with the other physical conditions (such as the current Covid-19 pandemic), such that the variance between the projections and the actual





expenses is within the acceptable limits (such as say within 10%).

- 9.5.5 Also, Calicut International Airport has constructed NIAB, carried out re-carpeting of runway and installed electrical fittings during the Second Control Period. As most of these assets are newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority decides to allow repairs and maintenance expenses for the Third Control Period only to the extent of 6% of the RAB (opening net block of the Third Control Period)

#### **CHQ/ RHQ Administration expenses**

- 9.5.6 The Authority has provided its views and detailed explanation on allocation of CHQ/ RHQ Administration expenses in para 3.6.16 of this Tariff Order. The Authority may true up CHQ/RHQ expenses subject to the maximum ceiling of 10% increase while determining tariff for the next control period.

#### **Upkeep Expenses**

- 9.5.7 The Authority has reviewed AAI's comments on Upkeep expenses and reiterates its views as explained in Para No. 9.2.14 of this Tariff Order.
- 9.5.8 The Authority has reviewed the comments of FIA and counter comments of AAI thereon. While the Authority has noted the views of AAI, the Authority expects from Airport Operator to review and rationalize the Operation and Maintenance costs.
- 9.5.9 Further, the Authority, after due analysis has rationalized appropriately the expenses for Payroll, Administration & General expenses, Repair and Maintenance, upkeep and Utility & Outsourcing expenditure for the Second and Third control period (Refer Para No. 9.2.15 of this tariff order).

#### **Utility, Outsourcing and Administration expenses (other than CHQ/ RHQ)**

- 9.5.10 The Authority notes that AAI has not proposed any increase in Power and Water charges and have retained the utilities cost of FY 2019-20 across the Third Control Period. However, for other expenses such as Consumption of stores and spares, Outsourcing expenses, Vehicle hire charges and Administration expenses, AAI has proposed an increase of 10% Y-o-Y based on actual expense of FY 2020-21. The Authority has decided to consider an increase of 4.9% towards inflationary effect for these expenses based on the actual spend of FY 2019-20.

#### **Operation and Maintenance expenses approved by the Authority for Third Control Period**

- 9.5.11 Based on the above analysis, the Authority has re-computed the Operation and Maintenance expenses of Calicut International Airport for the Third Control Period and the same is presented in the table below:

Table 65: O&M expenses decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Costs - Excluding CHQ/RHQ	34.88	36.98	39.19	41.55	44.04	196.64
Retirement costs - CHQ/RHQ	8.03	8.44	8.86	9.30	9.77	44.39
Repair & Maintenance	16.40	15.83	16.69	16.88	15.59	81.39
Power charges	11.33	11.33	11.33	11.33	11.33	56.66



Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Water charges	0.41	0.41	0.41	0.41	0.41	2.07
Outsourcing Expenses	0.80	0.84	0.88	0.93	0.97	4.43
Admin. & Other Expenses - Excluding CHQ/RHQ	8.33	8.75	9.17	9.87	10.98	47.11
Admin. & Other Expenses - CHQ/RHQ	17.62	18.50	19.43	20.40	21.42	97.38
Other Outflows	0.21	0.33	0.48	0.50	0.53	2.05
<b>Total Operating Expenditure</b>	<b>98.02</b>	<b>101.42</b>	<b>106.45</b>	<b>111.17</b>	<b>115.05</b>	<b>532.12</b>

The variance between O&M expenses shown in the Tariff Order and that shown in Consultation Paper No. 17/ 2021-22 is on account of the following:

1. Increase in payroll costs by ₹ 5.71 Crores, due to 6% increase given Y-o-Y based on FY 2019-20.
2. Increase in Repairs and Maintenance expenses by ₹ 3.46 Crores, as it computed based on 6% on opening net block of assets for each tariff year as given in Table 50.
3. Decrease in Outsourcing expenses by ₹ 1.23 Crores, Administration expenses by ₹ 9.03 Crores as these expenses have been increase Y-o-Y by 4.9% for inflationary effect based on FY 2019-20 expenses.
4. Decrease in CHQ/ RHQ Administration expenses, as these are computed based on methodology explained in para 3.6.16.

#### 9.6 Authority's decisions regarding Operation and Maintenance Expenses for the Third Control Period

Based on the material before it and based on its analysis, the Authority has decided the following with regard to O&M expenses for the Third Control Period.

- 9.6.1 To consider Operation and Maintenance expenses for the Third Control Period for Calicut Airport as per Table 65.





**10. TAXATION FOR THE THIRD CONTROL PERIOD****10.1. AAI's submission of Taxation for Calicut International Airport for the Third Control Period**

- 10.1.1. AAI had calculated the revenue generated from regulated services, Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per income tax. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The Aeronautical taxes submitted by Calicut International Airport are shown in the table below:

Table 66: Taxation submitted by Calicut International Airport for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue with Revised Rates	81.35	128.89	185.80	250.68	320.79	967.51
O&M expenses	131.63	139.93	148.86	158.46	169.77	748.65
Depreciation	27.34	27.13	26.12	24.59	22.68	127.87
<b>Profit Before Tax</b>	<b>(77.62)</b>	<b>(38.17)</b>	<b>10.82</b>	<b>67.63</b>	<b>128.33</b>	<b>90.99</b>
Set-off of prior period tax losses			(10.82)	(67.63)	(128.33)	<b>(206.78)</b>
PBT after set-off of prior period losses	(77.62)	(38.17)	-	-	-	<b>(115.79)</b>
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0	0	0	0	0	0

**10.2. Authority's examination and proposal regarding Taxation for the Third Control Period at Consultation stage**

- 10.2.1. The Authority noted that Calicut International Airport has calculated income tax based on the projected Aeronautical revenues. The Authority had re-computed the taxes based on the revised regulatory blocks for the Third Control Period proposed in the previous chapters. The following table summarises the Aeronautical taxes proposed by the Authority for the Third Control Period.

Table 67: Tax expense proposed to be considered as per the Authority for the Third Control Period at Consultation stage

(₹ Crores)

Particulars	FY 2021- 22	FY 2022- 23	FY 2023- 24	FY 2024- 25	FY 2025- 26	Total
Aeronautical Revenue with Revised Rates	60.64	137.13	210.65	235.22	241.84	<b>885.47</b>
O&M expenses (Refer Table 63)	105.30	109.08	114.54	119.67	124.01	<b>572.60</b>
Depreciation	26.65	26.67	27.29	25.62	22.79	<b>129.03</b>
<b>Profit Before Tax</b>	<b>-71.34</b>	<b>1.37</b>	<b>68.82</b>	<b>89.93</b>	<b>95.04</b>	<b>183.84</b>
Set-off of prior period tax losses	-	-	-68.82	-89.93	-14.70	<b>-174.81</b>
PBT after set-off of prior period tax losses	1	1	-	-	80.34	<b>9.03</b>



Particulars	FY 2021- 22	FY 2022- 23	FY 2023- 24	FY 2024- 25	FY 2025- 26	Total
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	-	-	-	20.22	20.22

### 10.3. Stakeholders' comments regarding Taxation for the Third Control Period

10.3.1. No comments were received from Stakeholders regarding taxation for the Third Control Period.

### 10.4. Authority's analysis on Stakeholders' comments regarding Taxation for the Third Control Period

10.4.1. The Authority has noticed that there are no stakeholder's comments regarding taxation proposed for the Third Control Period.

10.4.2. Based on its analysis of other regulatory building blocks, the Authority has re-computed taxation for the Third Control Period for Calicut International Airport and the same is presented in the table below:

Table 68: Aeronautical Taxation for the Third Control Period decided by the Authority

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue with Revised Rates	60.08	125.90	196.69	225.98	238.56	847.22
O&M expenses (as per table 65)	98.02	101.42	106.45	111.17	115.05	532.12
Depreciation	27.42	27.35	27.91	26.10	23.15	131.92
Profit Before Tax	(65.36)	(2.88)	62.33	88.72	100.37	183.18
Set-off of prior period tax losses*	0	0	(62.33)	(88.72)	(14.69)	(165.74)
PBT after set-off of prior period tax losses	-	-	-	-	85.68	85.68
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0	0	0	0	21.57	21.57

\* Prior period losses include losses of ₹ 97.50 Crores incurred during FY 2019-20 and FY 2020- 21

**Note:** The difference between taxation derived in this Tariff Order (₹ 21.57 Crores) and that shown in Consultation Paper No. 17/ 2021-22 is on account of revised O&M expenses derived by the Authority as per Table 65, Aeronautical revenue derived as per Table 78 and depreciation derived for Third Control Period as per Income Tax Act, 1961 after considering the actual Aeronautical capital addition for FY 2020-21 as shown in Table 13.

### 10.5. Authority's decisions regarding Taxation for the Third Control Period

Based on the material before it and based on its analysis, the Authority has decided the following with regard to Taxation for the Third Control Period.

10.5.1. To consider the taxation for the Third Control Period for Calicut Airport as per Table 68.





**11. RETURN ON LAND COST FOR THE THIRD CONTROL PERIOD****11.1. AAI's submission on Return on Land cost for Calicut International Airport for the Third Control Period**

11.1.1. AAI had claimed the following Return on Land cost for Calicut International Airport for the Third Control Period:

Table 69: Calicut International Airport's submission of Return on Land for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land Value (₹ Crores)	25.18	25.18	25.18	25.18	25.18	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value (₹ Crores)	1.66	1.66	1.66	1.66	1.66	8.30

**11.2. Authority's examination and proposal regarding Return on Land cost for the Third Control Period at Consultation stage**

11.2.1. AAI had submitted that the total land area of Calicut International Airport is of 15,32,200 Sq.m.

11.2.2. The Authority had analysed the usage of the above land, which had been summarized below:

Table 70: Authority's analysis of usage of land by Calicut International Airport

Particulars	(Area in Sq.m.)	Classified by Calicut International Airport	Reclassified by the Authority	Land Area used for Aeronautical activities
Total Land area (in Sq.m.) = (a)	15,32,200			
Terminal Building	56,535.84	Aeronautical	Common	53,914.26
Existing car parking area	12,542.49	Aeronautical	Non-aeronautical	-
Land used for other purposes such as • CISF Barracks Area • Air side apron, taxi track, basic strip and other areas • Flyover/road area city side	14,63,121.67	Aeronautical	Aeronautical	14,63,121.67
Total	15,32,200			15,17,035.93
Total Land area used for Aeronautical activities, to be considered for Return on Land				15,17,035.93

11.2.3. The Terminal building land area had been re-classified by the Authority as Common and apportioned in the existing terminal building ratio of 95%:5% (Aeronautical : Non-aeronautical area). Also, the Car parking area was classified as Non-aeronautical by the Authority.

11.2.4. As per the Land Return Order No. 42/2018-19 dated March 5, 2019, the Return on Land should be given only on the cost of land used for Aeronautical activities. Hence, out of the total land, only 15,17,035.93 Sq.m. was used for Aeronautical activities (as per Table 70) and the same was proposed to be considered by the Authority for providing return on land.

11.2.5. The Authority noted that the total land of 15,32,200 Sq.m. was purchased in the past from private land owners and compensation was paid to them during the period 1971 to 2011. Its recorded value in the books of account is for ₹ 25.18 Crores. The proportionate value for 15,17,035.93 Sq.m. of land used for Aeronautical activities worked out to ₹ 24.93 Crores and the same was considered by





the Authority for providing return on the cost of land.

- 11.2.6. As per Land Return Order No. 42/2018-19 dated March 5, 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.
- 11.2.7. The Authority noted the AAI has considered 6.21% as the cost of debt (as the debts are consolidated at CHQ level), which was lower than the SBI rate plus 2% and the same was considered by the Authority for computing the Return on Land.
- 11.2.8. Based on the above observations, the Authority had re-computed the Return on the cost of Land as follows:

Table 71: Return on cost of land recomputed by the Authority for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land Value (₹ Crores)	24.93	24.93	24.93	24.93	24.93	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value* (₹ Crores)	1.64	1.64	1.64	1.64	1.64	8.22

\* Return Value = Equated Annual Instalment computed at actual cost of debt  
 Equated Annual Instalment =  $[Cost * Rate * (1 + Rate)^{30}] / [(1 + Rate)^{30} - 1]$

### 11.3. Stakeholders' comments on Return on Land cost for the Third Control Period

- 11.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 17/ 2021-22 with respect to Return on Land cost for the Third Control Period. The comments by stakeholders are presented below:

#### AAI's comments on Stakeholders' comments on Return on Land cost for Third Control Period

- 11.3.2 AAI has requested AERA "to consider the return on land at least from the Second Control Period."

#### Other Stakeholders' comments on Return on Land for Third Control Period

- 11.3.3 FIA has commented that "it is noted that the Authority will allow return on land on the fourth control period (as per Order No. 42/2018-19). We recommend that no returns may be provided for investment in land by Calicut Airport in view of the fact that Land value does not depreciate."

### 11.4. AAI's response to Stakeholders' comments on Return on Land for the Third Control Period

- 11.4.1 AAI has responded to FIA's comments that "Order No. 42/2018-19 dated 5 March 2019 which prescribes methodology for computing Return on Land has provided for return on land under various scenarios. Hence, the need for providing return on land is a well settled matter."
- 11.4.2 "However, AAI submits that the return on land may be provided from the Second Control period, at least though AAI has submitted the MYTP seeking Return on land from the First Control Period





*itself. This submission is in view of the fact that the land was purchased in the 1970s. AAI has been deprived of the return on this land since the start of the tariff determination exercise. Issuing of an order by AERA at a later date does not change the facts and its position as at the start of the First Control Period."*

**11.5. Authority's analysis on Stakeholders' comments regarding Return on Land cost for the Third Control Period**

11.5.1 The Authority has reviewed the comments of FIA and that of AAI on Return on Land and clarifies that:

- i. The Authority has conducted extensive consultation in this matter before finalizing its decision in Order No. 42/2018-19 dated 5th March 2019 on the subject "In the matter of determination of Fair Rate of Return (FRoR) to be provided on the cost of land incurred by various Airport Operators in India". The Authority's proposal regarding return on land during Consultation stage were strictly based on Order No. 42/ 2018-19.
- ii. The Authority has considered providing Return on Land for the Third Control Period, in accordance with the terms of the above Order No. 42/ 2018-19, which states that the Return shall be provided on land only from the next Control Period, which implies that it has only prospective effect.

**11.6. Authority's decisions relating to Return on Land cost for the Third Control Period**

Based on the material before it and based on its analysis, the Authority has decided the following with regard to Return on Land for the Third Control Period:

- 11.6.1. To consider land area used for Aeronautical activities as per Table 70.
- 11.6.2. To consider Return on Land as per Table 71.





## **12. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD**

### **12.1 AAI's submission relating to Quality of Service for Calicut International Airport for the Third Control Period**

12.1.1. Calicut International Airport had not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available in AAI's website (station-wise).

### **12.2 Authority's examination and proposal regarding Quality of Service for the Third Control Period at Consultation stage**

12.2.1 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."*

12.2.2 The Authority noted from AAI's website that the ACI ASQ survey results for Calicut International Airport for the years 2017 to 2021 have been in the range of 4.32 to 4.93 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72. The Authority noted that the ASQ rating awarded to Calicut International Airport was quite close to the average rating of the AAI airports.

12.2.3 Also, the Authority reviewed the MoU between AAI and MoCA for the FY 2019-20 and noted that the ASQ rating target for the FY 2019-20 was 4.68. The actual ASQ rating achieved by Calicut International Airport for the FY 2019-20 was 4.81 (variance between actual and the target was 0.13).

12.2.4 The Authority had not proposed any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by Calicut International Airport.

### **12.3 Stakeholders' comments regarding Quality of Service for the Third Control Period**

12.3.1. No comments were received from stakeholders regarding Quality of Service for the Third Control Period.

### **12.4 Authority's analysis on Stakeholders' comments regarding Quality of Service for the Third Control Period**

12.4.1 The Authority has noticed that there are no stakeholder's comments regarding Quality of Service proposed for the Third Control Period. Hence, the Authority has decided that no adjustment will be made towards tariff determination for the Third Control Period on account of quality of service maintained by Calicut International Airport.

### **12.5 Authority's decision relating to Quality of Service for the Third Control Period**

Based on the material before it and its analysis, the Authority has decided the following with regard to Quality of Service for the Third Control Period:

12.5.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to quality of service.





### 13. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

#### 13.1 AAI's submission of ARR for Calicut International Airport for the Third Control Period

13.1.1 AAI had submitted ARR and Yield Per Passenger (Y) for the Third Control Period as per the regulatory building blocks discussed.

13.1.2 The summary of ARR and Yield has been presented in the table below.

Table 72: ARR submitted by AAI for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB (₹ Crores)	269.33	270.55	266.57	259.43	244.39	1,310.26
Fair Rate of Return	14%	14%	14%	14%	14%	14%
Return on average RAB (₹ Crores)	37.71	37.88	37.32	36.32	34.21	183.44
O&M expenses (₹ Crores)	131.63	139.93	148.86	158.46	169.77	748.65
Depreciation (₹ Crores)	22.76	24.24	24.74	26.09	26.82	124.65
Working capital interest (₹ Crores)	4.69	5.41	3.14	0.00	0.00	13.25
Return on Land (₹ Crores)	1.66	1.66	1.66	1.66	1.66	8.30
Tax expense (₹ Crores)	0	0	0	0	0	0
Less: 30% NAR (₹ Crores)	5.13	7.26	11.77	14.78	17.99	56.93
<b>ARR per year (₹ Crores)</b>	<b>193.32</b>	<b>201.86</b>	<b>203.95</b>	<b>207.74</b>	<b>214.48</b>	<b>1,021.35</b>
Discount factor (@ 14%)	1	0.88	0.77	0.68	0.59	
PV of ARR (₹ Crores)	193.32	177.07	156.93	140.22	126.99	794.53
Sum Present value of ARR (₹ Crores)	794.53					794.53
Add: True up shortfall of Second Control Period claimed by AAI	383.56					383.56
Total Traffic (million passengers)	6.02					6.02
<b>Yield per passenger (YPP) (₹)</b>	<b>1,975.99</b>					<b>1,975.99</b>

#### 13.2 Authority's examination and proposal regarding Aggregate Revenue Requirement (ARR) for the Third Control Period at Consultation stage

13.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the table above, the Authority proposed as below:

- To consider the average RAB in accordance with Table 47.
- To consider the FRoR in accordance with Table 51.
- To consider the Depreciation as per Table 45.
- To consider the O&M expenses as per Table 63.





- To consider the Tax expense as per Table 67.
- To consider the Non-aeronautical revenue as per Table 55.
- To consider Return on Land as per Table 71.
- To consider True up of Second Control Period as per Table 30.
- To consider the total traffic in accordance with Table 36.

13.2.2 The Authority also reviewed the computation of working capital requirements by AAI based on the proposed Aeronautical revenue and Operation and Maintenance expenses for each Tariff Year and the interest on the above working capital proposed to be incurred during the first two tariff years such as FY 2021-22 and FY 2022-23. The Authority had reworked the working capital requirement and the interest thereon based on its revised Aeronautical revenue derived as per Table 76, Non-aeronautical revenue derived as per Table 55, O&M expenses derived as per Table 63 and the same is presented in Table 73.

13.2.3 After considering the above, the Authority proposed the following ARR and Yield, as presented in the table below.

Table 73: ARR proposed to be considered by the Authority for the Third Control Period at Consultation Stage

(₹ Crores)

Particulars	Table Ref.	FY	FY	FY	FY	FY	Total
		2021-22	2022-23	2023-24	2024-25	2025-26	
Average RAB = A	47	256.79	259.43	268.33	259.35	235.93	
Fair Rate of Return = B	51	14%	14%	14%	14%	14%	
Return on average RAB C= A*B		35.95	36.32	37.57	36.31	33.03	179.18
O&M expenses – D	63	105.30	109.08	114.54	119.67	124.01	572.60
Depreciation – E	45	22.09	23.68	25.54	26.87	26.79	124.99
Working capital interest – F		2.82	1.89	0.00	0.00	0.00	4.71
Return on Land – G	71	1.64	1.64	1.64	1.64	1.64	8.22
Tax expense – H	67	0	0	0	0	20.22	20.22
NAR	55	18.86	30.09	58.55	61.66	64.99	234.15
Less: 30% NAR – I		5.66	9.03	17.57	18.50	19.50	70.25
<b>ARR per year (C+D+E+F+G+H-I)</b>		<b>162.14</b>	<b>163.58</b>	<b>161.72</b>	<b>165.99</b>	<b>186.19</b>	<b>839.67</b>
Add: True up shortfall of Second Control Period claimed by AAI (₹ Crores)	30	168.93					
Discount factor (@ 14%)		1	0.88	0.77	0.68	0.59	
PV of ARR (₹ Crores)		331.07	143.49	124.44	112.04	110.24	821.29
Sum Present value of ARR (₹ Crores)				821.29			821.29
Total Traffic (million passengers)				7.28			7.28
<b>Yield per passenger (YPP) (₹)</b>				1,128.14			1,128.14





### **13.3 Stakeholders' comments regarding Aggregate Revenue Requirement for the Third Control Period**

13.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to Aggregate Revenue Requirement for the Third Control Period. The comments by stakeholders are presented below:

#### **AAI's comments regarding Aggregate Revenue Requirement for the Third Control period**

13.3.2 AAI has commented the following:

- i. *"After considering all the above changes, the AERA is requested to consider full recovery of ARR.*
- ii. *AAI in its MYTP submission proposed to increase the rate from 1st April 2021.*
- iii. *AERA in its CP proposed to increase the rate from 1st April 2022.*
- iv. *However, AAI has requested AERA to consider increase in rate as submitted from 1st January 2022.*
- v. *AAI submits to AERA to recompute the IDC, expenses capitalization, interest on working capital, Non-aeronautical revenues, R&M and upkeep and other all other building blocks in which there would be consequential changes/impact based on the revised considerations/points submitted in this document."*

#### **Other Stakeholders' comments regarding Aggregate Revenue Requirement for the Third Control Period**

13.3.3 FIA has commented *"it is appreciated that AERA has in para 15.2.7 of the Consultation Paper, held a view not to burden the airlines further which are already suffering with the COVID-19 pandemic's impact, as also the other Users, with excessive tariff at this juncture. However, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned under Annex – B, which is likely to reduce the ARR (including shortfall) of the operator. This will further ensure the lowering of tariffs including UDF, which will be beneficial to passengers and airlines.*

13.3.4 *We submit that the Hon'ble TDSAT Order dated 16 December, 2020 which stated as follows: '100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed..'*

13.3.5 *In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order Third Control Period will now be issued after the commencement of the Control Period i.e., 1 April, 2021".*

### **13.4 AAI's response to Stakeholders' comments regarding Aggregate Revenue Requirement for the Third Control Period**

13.4.1 AAI has commented that *"the MYTP submission was carried out before the commencement of the third control period. Further, any shrinkage in the control period also affects AAI as the increase in rate is not smoothened out over the five years. The cash flows in the first couple of years till finalization of revised tariff becomes very strained and cr*





### 13.5 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement for the Third Control Period

13.5.1 The Authority has carefully examined the comments raised by FIA and AAI, dealt with them in the relevant chapters, and has decided that the revised tariff should be implemented at Calicut Airport with effect from April 1, 2022 and thereafter moderate increase in tariff in the remaining period of the Third Control Period with a view to not burden the airlines and other users, who are already suffering with Covid pandemic impact.

13.5.2 As also explained in the para No 14.2.2 of the Tariff order, the Authority feels that targeting a full recovery at this time may not be fair to all stakeholders and may dampen the stakeholders' efforts to revive demand. The Authority notes that the airport operator has the provision of the true up of any shortfalls in revenue recovery in the Fourth Control Period and decides to carry forward the shortfall to the next Control Period.

13.5.3 The Authority noted FIA's concerns regarding that the airlines/passenger should not be burdened on account of apparent shrinkage in control period. The Authority, in this regard would like to state that AAI has submitted the MYTP in the month of March 2021 i.e. last month of the expiry of the 2<sup>nd</sup> control period. The Authority would also clarify that the tariff determination is an exhaustive exercise and requires substantial amount of time and resources to examine, analyse and decide on the matters and concerns of all the stakeholders. The Authority has tried to ensure timely determination of the tariff to the best extent possible within all the constraints.

13.5.4 Based on its analysis and decisions of the other regulatory building blocks, the Authority has recomputed the ARR and the same is presented in the table below:

Table 74: ARR decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	Table Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB = A	50	268.62	271.04	279.72	270.52	246.89	
Fair Rate of Return = B	51	14%	14%	14%	14%	14%	
Return on average RAB C= A*B		37.61	37.95	39.16	37.87	34.56	187.15
O&M expenses – D	65	98.02	101.42	106.45	111.17	115.05	532.12
Depreciation – E	49	22.31	23.90	25.76	27.09	27.01	126.08
Working capital interest – F		2.35	1.38	0	0	0	3.73
Return on Land – G	71	1.64	1.64	1.64	1.64	1.64	8.22
Tax expense – H	68	0	0	0	0	21.57	21.57
ARR per year= SUM (C:H)		161.93	166.29	173.01	177.77	199.83	878.87
Shortfall carried forward from Second Control Period	32	137.28					
Gross ARR - I		299.21	166.29	173.01	177.77	199.83	1,016.15
NAR	57	18.76	30.09	58.55	61.66	64.99	234.05
Less: 30% NAR – J		5.63	9.03	17.57	18.50	19.50	70.23
Net ARR per year (I-J)		293.58	157.26	155.44	159.27	180.33	945.88





Particulars	Table Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Discount factor (@ 14%)		1	0.88	0.77	0.68	0.59	
PV of ARR (₹ Crores)		293.58	137.94	119.61	107.51	106.78	765.42
Sum Present value of ARR (₹ Crores)		765.42					765.42
Total Traffic (million passengers)		7.27					7.27
Yield per passenger (YPP) (₹)		1,052.85					1,052.85

### 13.6 Authority's decisions regarding Aggregate Revenue Requirement (ARR) for the Third Control Period

Based on the material before it and based on its analysis, the Authority has decided the following with regard to ARR for the Third Control Period.

- 13.6.1 To consider the ARR and Yield for the Third Control Period for Calicut Airport in accordance with Table 74.





**14. AERONAUTICAL REVENUE****14.1 AAI's submission of Aeronautical Revenue for Calicut International Airport for the Third Control Period**

14.1.1 AAI had proposed to increase the Aeronautical tariffs as applicable from April 1, 2021 as per below schedule:

- Landing Charges- For domestic and international ATM, AAI had proposed to increase the existing charges by 50% for FY 2021-22 and by 10% year on year thereafter.
- Parking and housing charges - For domestic and international ATM, AAI had proposed increase the existing charges by 50% for FY 2021-22 and by 10% year on year thereafter.
- User Development Fee – AAI had proposed to hike domestic UDF charges to ₹ 600 per embarking passenger (increase of 182% from the existing rate of ₹ 213) and of International UDF charges to ₹1,300 per embarking passenger (increase of 173% from the existing rate of ₹ 476) with effect from April 1, 2021 and thereafter an increase of 4% from 1<sup>st</sup> April of every Financial Year up to FY 2025-26 was proposed.

14.1.2 As per the AAI submission, table below showed the Aeronautical revenue:

Table 75: Aeronautical revenue submitted by AAI for the Third Control Period

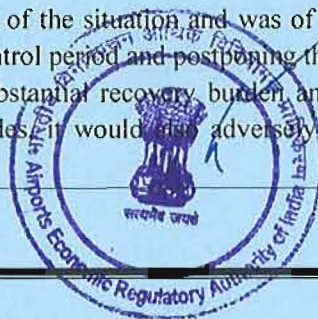
(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Landing charges	29.26	43.94	61.72	80.53	103.39	318.84
Parking charges	0.33	0.48	0.68	0.88	1.12	3.48
UDF charges	44.94	75.65	112.50	156.53	201.64	591.25
Land Lease	0.73	0.78	0.84	0.91	0.97	4.24
Ground Handling charges	4.46	5.89	7.34	8.57	9.84	36.10
CUTE charges	1.15	1.63	2.16	2.65	3.14	10.74
Revenue Share from AAICLAS	0.47	0.51	0.57	0.62	0.68	2.85
<b>Total Revenue</b>	<b>81.35</b>	<b>128.89</b>	<b>185.80</b>	<b>250.68</b>	<b>320.79</b>	<b>967.51</b>

**14.2 Authority's examination and proposal regarding Aeronautical Revenue for the Third Control Period at Consultation stage**

14.2.1 The Authority noted that air traffic demand has been widely impacted due to challenges posed by the Covid-19 pandemic and the resultant slowdown in the economy. Moreover, airport operators have ongoing capital expenditure projects as also other planned works, thus resulting in a higher ARR. Further, the Authority noted that the existing traffic base is not sufficient for complete recovery of ARR in the Third Control Period and that this would require a significant increase in tariffs.

14.2.2 The Authority was cognisant of the situation and was of the view that keeping the tariff at the current level for the entire control period and postponing the full recovery of shortfalls to the next control period will create substantial recovery burden and lead to steep tariff increases in the Fourth Control Period. Besides, it would also adversely impact the cash flows of the airport





operator in the Third Control Period. The Authority, however, was of the view that targeting a full recovery at this time may not be fair to all stakeholders and may dampen the stakeholders' efforts to revive demand. The Authority noted that the airport operator has the provision of the true up of any shortfalls in revenue recovery in the Fourth Control Period.

- 14.2.3 Based on the above analysis, the Authority proposed not to increase any Aeronautical tariff both for domestic and international traffic in the current financial year 2021-22 and proposed to revise the Landing and Parking charges and UDF from 01 April 2022. The Authority proposed to allow a one- time increase of 45% in the Domestic and International Landing, Parking charges in the FY 2022-23, an increase of 20% in the FY 2023-24 and of 15% in the FY 2024-25. Thereafter an increase of 5% for the first 9 months (April to Dec) of the FY 2025-26 and a decrease of 20% in the landing and parking charges for the last 3 months (Jan to March) of the FY 2025-26.
- 14.2.4 The Authority proposed to allow Domestic UDF of ₹ 440 and International UDF of ₹ 740, with effect from April 1, 2022 till December 31, 2025. For the period January 1, 2026 to March 31, 2026, the Authority proposed to allow Domestic UDF of ₹ 375 and International UDF of ₹ 580. Also, the Authority proposed not to consider increasing UDF by 4% for each tariff year up to FY 2025-26, as proposed by AAI.
- 14.2.5 The Authority had determined the Aeronautical revenue based with the proposed Aeronautical charges as follows:

*Table 76: Aeronautical revenues and Under recovery proposed to be considered by the Authority for the Third Control Period at Consultation stage*

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
<b>Total PV of ARR including true up (₹ in Crores) (a)</b>	<b>821.29</b>					<b>821.29</b>
<b>Landing charges:</b>						
<i>Domestic (₹ in Crores)</i>	3.66	6.48	8.94	12	13.97	<b>45.05</b>
<i>International (₹ in Crores)</i>	18.64	40.55	71.04	86.03	90.36	<b>306.62</b>
<b>Parking and housing charges:</b>						
<i>Domestic (₹ in Crores)</i>	0.06	0.10	0.14	0.19	0.23	<b>0.72</b>
<i>International (₹ in Crores)</i>	0.19	0.41	0.72	0.87	0.91	<b>3.10</b>
<i>Land Lease - Oil Companies (₹ in Crores)</i>	0.73	0.78	0.84	0.91	0.97	<b>4.24</b>
<i>Ground handling charges (₹ in Crores)</i>	5.02	6.99	9.49	10.30	11.20	<b>43.00</b>
<i>CUTE charges (₹ in Crores)</i>	1.30	2.10	3.03	3.19	3.35	<b>12.97</b>
<i>Cargo Revenue (₹ in Crores)</i>	0.47	0.51	0.57	0.62	0.68	<b>2.85</b>
<b>Total Aeronautical Revenue, before UDF (₹ in Crores) (b)</b>	<b>30.07</b>	<b>57.93</b>	<b>94.77</b>	<b>114.10</b>	<b>121.68</b>	<b>418.55</b>
PV factor	1	0.8772	0.7695	0.675	0.5921	
<b>PV of Aeronautical revenue (before UDF) (₹ in Crores)</b>	<b>30.07</b>	<b>50.82</b>	<b>72.93</b>	<b>77.02</b>	<b>72.05</b>	<b>302.88</b>





Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Σ PV Aero Revenue (before UDF) (c)			302.88			302.88
Shortfall before UDF (c) - (a) =(d)			(518.41)			(518.41)
<b>UDF/ PSF (F)</b>						
Domestic (₹ in Crores)	3.42	11.67	14.59	16.38	17.72	63.78
International (₹ in Crores)	27.15	67.52	101.28	104.73	102.44	403.12
<b>Total UDF (e)</b>	<b>30.57</b>	<b>79.19</b>	<b>115.87</b>	<b>121.11</b>	<b>120.16</b>	<b>466.90</b>
<b>Total Revenue (b + e)</b>	<b>60.64</b>	<b>137.12</b>	<b>210.64</b>	<b>235.21</b>	<b>241.84</b>	<b>885.45</b>
<b>PV of UDF</b>	<b>30.57</b>	<b>69.47</b>	<b>89.16</b>	<b>81.75</b>	<b>71.15</b>	<b>342.09</b>
Σ PV of UDF (f)			342.09			342.09
Σ PV Projected Aero Revenue including UDF (c) + (f) = (g)			644.97			644.97
Over recovery/ (Under recovery) Proposed to be carried forward for Next Control Period (g) – (a) (derived as on 31 March 2022)			(176.32)			(176.32)

14.2.6 As can be observed from the above table and as per the Authority's proposals, AAI was entitled to recover an ARR of ₹ 821.29 Crores. The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges was ₹ 644.97 Crores, thus resulting in a net shortfall of ₹ 176.32 Crores.

14.2.7 The Authority proposed to carry-forward the shortfall of ₹ 176.32 Cr. (as per Table 76) to the Fourth Control Period, with a view to not burden the airlines further which are already suffering with the Covid-19 pandemic's impact, as also the other Users, with excessive tariff at this juncture. However, the Authority proposed to adjust the above shortfall based on the Aeronautical revenue achieved by Calicut International Airport in line with the actual traffic data of the Third Control Period.

### 14.3 Stakeholders' comments on Aeronautical revenue for the Third Control Period

14.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 17/ 2021-22 with respect to Aeronautical revenue for the Third Control Period. The comments by stakeholders are presented below:

#### AAI's comments on Aeronautical Revenue for the Third Control Period

14.3.2 No comments were received from AAI on this Chapter.

#### Other Stakeholders' comments regarding Aeronautical Revenue for the Third Control Period

14.3.3 FIA has commented the following with respect to Royalty and tendering process:

- "Any attempt to award the contracts to the airport operator on the highest revenue share basis





*should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers have no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs.*

- ii. *There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.*
- iii. *As the Authority is aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers. The rates of royalty at Calicut airport are as high as up to 31-32%.*
- iv. *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. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.*
- v. *In view of the above, we urge the Authority to abolish such royalty which may be included in any of the cost items."*

14.3.4 *"We request AERA to clarify the amount of 'Collection Charges' and the specific details of the 'Policy' being referred in the tariff card. We further submit that the same should not be conditional upon Calicut Airport having received the 'undisputed invoiced UDF' amount with the applicable due date."*

#### **14.4 AAI's response to Stakeholders' comments on Aeronautical Revenue for Third Control Period**

14.4.1 AAI has commented the following about Royalty and tendering process:

*"AAI has initiated tender as per the terms and conditions, period of license etc., mentioned in line with the AAI commercial manual. Commercial Department is collecting 13% of GTO from Inflight Caterers for doing business at Airport. Collection of 13% royalty from Inflight catering service provider is prevailing in all the AAI managed Airports as per the internal policies.*

*AAI is incurring huge expenditure on providing the infrastructure to facilitate the Ground Handling Agencies for providing their services to the airlines. Further, the royalty on Ground handling charges (Revenue Share) payable by Ground Handling Agency has been brought down to 3% of Actual Gross Revenue from Scheduled Domestic Passenger Flights and 15% of Actual Gross Revenue from users other than Scheduled Domestic Passenger Flights and RCS flights. This is effective from October 1, 2021."*

14.4.2 AAI has commented the following about collection charges:

*"Policy referred to with respect to collection charges: Rs.5 plus GST per passenger will be paid by AAI to the Airline Operators if they make the payment within 15 days from the receipt of the invoice. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. This is as per the internal policies of AAI which have been provided in the tariff card by AERA."*





#### 14.5 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for Third Control Period

##### Royalty and tendering process

- 14.5.1 The Authority has noted the issue of royalty fees and revenue share payable to Airport Operators by the Service Providers as a passthrough expenditure. It may be noted that the Authority has a separate tariff determination process for service providers where the royalty charges are addressed alongside a rigorous stakeholders' consultation process.
- 14.5.2 The Authority reviewed the counter response by AAI to FIA's comment on royalty and notes that AAI's comments adequately address the issues raised by FIA.

##### Collection charges

- 14.5.3 The Authority has taken into consideration the comments of FIA and response of AAI thereon and is of the opinion that the collection charges is a policy matter between the Airport Operator and the Airlines. However, para 17.1.4 (Annexure I) of the tariff order regarding collection charges may be referred to.

##### Revised Aeronautical revenue and Under recovery decided by the Authority for the Third Control Period

- 14.5.4 Based on its analysis and decisions on the various regulatory building blocks, the Authority has re-computed the Aeronautical revenues and Under recovery which the Authority has decided to consider for the Third Control Period. The same is presented in the table below:
- Landing and Parking charges:** The Authority has decided not to increase any Aeronautical tariff both for domestic and international traffic in the current financial year 2021-22 and proposed to revise the Landing and Parking charges and UDF from April 1, 2022. The Authority has decided to allow a one- time increase of 40% in the Domestic and International Landing, Parking charges in the FY 2022-23, an increase of 20% in the FY 2023-24 and of 15% in the FY 2024-25. Thereafter an increase of 5% for the first 9 months (April to Dec) of the FY 2025-26 and a decrease of 15% in the landing and parking charges for the last 3 months (Jan to March) of the FY 2025-26.
  - UDF charges:** The Authority has decided to increase Domestic and International UDF in a progressive manner for the Third Control Period as shown in the table below:

*Table 77: UDF charges decided by the Authority for Calicut International Airport for the Third Control Period*

Passenger	FY 2021-22 (existing rates)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 (01.04.2025 to 31.12.2025)	FY 2025-26 (01.01.2026 to 31.03.2026)
Domestic (in ₹)	213	410	420	430	440	375
International (in ₹)	476	660	680	720	740	630





Table 78: Aeronautical revenues and Under recovery decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total PV of ARR including true up (₹ in Crores) - Refer Table 74 = (a)	765.42					765.42
<b>Landing charges:</b>						
Domestic (₹ in Crores)	2.77	6.25	8.63	11.58	13.65	42.88
International (₹ in Crores)	19.66	38.57	67.57	81.83	87.08	294.71
<b>Parking and housing charges:</b>						
Domestic (₹ in Crores)	0.05	0.10	0.14	0.19	0.22	0.70
International (₹ in Crores)	0.20	0.39	0.69	0.84	0.89	3.01
Land Lease - Oil Companies (₹ in Crores)	0.79	0.85	0.91	0.98	1.06	4.59
Ground handling charges (₹ in Crores)	4.25	6.23	8.45	9.17	9.97	38.07
CUTE charges (₹ in Crores)	1.17	1.89	2.73	2.87	3.02	11.68
Cargo Revenue (₹ in Crores)	0.47	0.51	0.57	0.62	0.68	2.85
<b>Total Aeronautical Revenue, before UDF (₹ in Crores) (b)</b>	<b>29.36</b>	<b>54.79</b>	<b>89.69</b>	<b>108.08</b>	<b>116.57</b>	<b>398.49</b>
PV factor	1	0.8772	0.7695	0.6750	0.5921	
PV of Aeronautical revenue (before UDF) (₹ in Crores)	29.36	48.06	69.02	72.95	69.02	288.41
<b>Σ PV Aero Revenue (before UDF) (c)</b>	<b>288.41</b>					<b>288.41</b>
<b>Under recovery before UDF (c) - (a) = (d)</b>	<b>(477.01)</b>					<b>(477.01)</b>
<b>UDF/ PSF (F)</b>						
Domestic (₹ in Crores)	3.10	10.88	13.93	16.01	17.72	61.64
International (₹ in Crores)	27.64	60.22	93.07	101.90	104.26	387.09
<b>Total UDF (e)</b>	<b>30.74</b>	<b>71.10</b>	<b>107.00</b>	<b>117.91</b>	<b>121.98</b>	<b>448.73</b>
<b>Total Revenue (b + e)</b>	<b>60.10</b>	<b>125.89</b>	<b>196.69</b>	<b>225.99</b>	<b>238.55</b>	<b>847.22</b>
<b>PV of UDF</b>	<b>30.74</b>	<b>62.37</b>	<b>82.34</b>	<b>79.59</b>	<b>72.22</b>	<b>327.26</b>
<b>Σ PV of UDF (f)</b>	<b>327.26</b>					<b>327.26</b>
<b>Σ PV Projected Aero Revenue including UDF (c) + (f) = (g)</b>	<b>615.67</b>					<b>615.67</b>
<b>Under recovery proposed to be carried forward for Next Control Period (g) - (a) (derived as on 31 March 2022)</b>	<b>(149.75)</b>					<b>(149.75)</b>

14.5.5 As can be observed from the above table and as per the Authority's decisions on the various regulatory building blocks, AAI is entitled to recover an ARR of ₹ 765.42 Crores. The present value of total





projected Aeronautical revenues based on the Authority's Landing, Parking and UDF charges is ₹ 615.67 Crores, thus resulting in a net shortfall (under recovery) of ₹ 149.75 Crores.

- 14.5.6 The Authority has decided to carry-forward the under recovery of ₹ 149.75 Cr. (as per Table 78) to the Fourth Control Period, with a view to not burden the airport users, further which are already suffering with the COVID-19 pandemic's impact with excessive tariff at this juncture, which shall act counter-productive to the revival of the Aviation sector. However, the Authority has decided to adjust the above under recovery based on the Aeronautical revenue achieved by Calicut International Airport in line with the actual traffic data of the Third Control Period.

**14.6 Authority's decisions regarding Aeronautical Revenue for the Third Control Period**

Based on the material before it and based on its analysis, the Authority has decided the following with regard to Aeronautical Revenue for the Third Control Period.

- 14.6.1 To consider Aeronautical revenue for the Third Control Period for Calicut Airport as per Table 78.
- 14.6.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.





## **15 SUMMARY OF AUTHORITY'S DECISIONS**

### **Chapter 3: True Up for the Second Control Period**

- 3.9.1 To consider Capital additions as detailed in Table 13 for true up of the Second Control Period.
- 3.9.2 To consider Aeronautical depreciation as mentioned in Table 14 for true up for the Second Control Period.
- 3.9.3 To consider RAB as per Table 15 for true up for the Second Control Period.
- 3.9.4 To consider the Non-aeronautical revenues as per Table 18 for the purpose of true up of the Second Control Period.
- 3.9.5 To consider the O&M expenses as detailed in Table 28 for true up of the Second Control Period.
- 3.9.6 To disallow Return on Land claimed by Calicut International Airport for the First and Second Control Period, in accordance with its Order 42/ 2018-19 dated March 5, 2019.
- 3.9.7 To consider Aeronautical revenue as per Table 31 for true up of the Second Control Period.
- 3.9.8 To consider ARR and Shortfall as detailed in Table 32 for true up of the Second Control Period for Calicut Airport.

### **Chapter 4: Traffic for the Third Control Period**

- 4.6.1 To consider the ATM and passenger traffic for the Third Control Period for Calicut Airport as per Table 38.
- 4.6.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Third Control Period while determining tariff for the Fourth Control Period.

### **Chapter 5: Regulatory Asset Base and Depreciation for the Third Control Period**

- 5.6.1 To consider allocation of gross block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical assets as detailed in Table 48.
- 5.6.2 To adopt the Capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 43.
- 5.6.3 To true up the Capital expenditure on actuals at the time of determination of tariff for Fourth Control Period.
- 5.6.4 To reduce (adjust) 1% of the uncapped portion of the project cost from the ARR/ Target Revenue in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period.
- 5.6.5 To consider depreciation as per Table 49 for the Third Control Period.
- 5.6.6 To consider RAB for the Third Control Period for Calicut International Airport as per Table 50.

### **Chapter 6: Fair Rate of Return for the Third Control Period**

- 6.6.1 To consider FRO for Calicut Airport for the Third Control Period as per Table 51.

### **Chapter 7: Inflation for the Third Control Period**

- 7.5.1 To consider inflation at 4.9% for the Third Control Period based on average of the median WPI inflation of the 4th quarter of FY 2020-21 and 1st, 2nd and 4th quarters of FY 2021-22, given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI.





**Chapter 8: Non-aeronautical revenue for the Third Control Period**

- 8.6.1 To consider Non-aeronautical revenues for the Third Control Period for Calicut Airport in accordance with Table 57.

**Chapter 9: Operation and Maintenance expenses for the Third Control Period**

- 9.6.1 To consider Operation and Maintenance expenses for the Third Control Period for Calicut Airport as per Table 65.

**Chapter 10: Taxation for the Third Control Period**

- 10.5.1 To consider the taxation for the Third Control Period for Calicut Airport as per Table 68.

**Chapter 11: Return on Land for the Third Control Period**

- 11.6.1 To consider land area used for Aeronautical activities as per Table 70.  
11.6.2 To consider Return on Land as per Table 71.

**Chapter 12: Quality of Service for the Third Control Period**

- 12.5.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to quality of service.

**Chapter 13: Aggregate Revenue Requirement (ARR) for the Third Control Period**

- 13.6.1 To consider the ARR and Yield for the Third Control Period for Calicut Airport in accordance with Table 74.

**Chapter 14: Aeronautical revenues for the Third Control Period**

- 14.6.1 To consider Aeronautical revenue for the Third Control Period for Calicut Airport as per Table 78.  
14.6.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.






## 16 ORDER

- 16.1 In exercise of power conferred by section 13 (1) (a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariff to be levied at Calicut International Airport for the Third Control Period from April 1, 2021 to March 31, 2026, as placed at Annexure I. These rates will be effective from April 1, 2022.
- 16.2 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 I to the Order for the current Control Period. The rates will be effective from April 1, 2022.
- 16.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.

By the Order and in the name of the Authority

  
(Col. Manu Sooden)  
Secretary

To,

The Chairman  
Airports Authority of India,  
Rajiv Gandhi Bhawan,  
Safdarjung Airport,  
New Delhi – 110003

### Copy to:

1. **Secretary**, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003.
2. **Directorate General of Civil Aviation**, for issue of AIC





**17 LIST OF ANNEXURES****17.1. Annexure I: Tariff Rate Card approved by the Authority for Calicut International Airport for the Third Control Period (effective from April 1, 2022)**

17.1.1. Landing charges approved for domestic flights for Third Control Period have been provided below:

Table 79: Landing charges- Domestic for the Third Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23 Tariff w.e.f. 01.04.2022	FY 2023-24 Tariff w.e.f. 01.04.2023	FY 2024-25 Tariff w.e.f. 01.04.2024	FY 2025-26 Tariff w.e.f. 01.04.2025 to 31.12.2025	FY 2025-26 Tariff w.e.f. 01.01.2026 to 31.03.2026
Up to 25 MT	193 per MT	270.20 Per MT	324.20 Per MT	372.80 Per MT	391.40 Per MT	332.70 Per MT
Above 25 MT up to 50 MT	4,815 + 337 per MT in excess of 25 MT	6,755 + 471.80 per MT in excess of 25 MT	8,105 + 566.20 per MT in excess of 25 MT	9,320 + 651.10 per MT in excess of 25 MT	9,785 + 683.70 per MT in excess of 25 MT	8,318 + 581.10 per MT in excess of 25 MT
Above 50 MT up to 100 MT	13,241 + 385 per MT in excess of 50 MT	18,550 + 539.00 per MT in excess of 50 MT	22,260.00 + 646.80 per MT in excess of 50 MT	25,597.50 + 743.80 per MT in excess of 50 MT	26,878 + 781.00 per MT in excess of 50 MT	22,845 + 663.90 per MT in excess of 50 MT
Above 100 MT to 200 MT	32,501 + 470 per MT in excess of 100 MT	45,500 + 658.00 per MT in excess of 100 MT	54,600.00 + 789.60 per MT in excess of 100 MT	62,787.50 + 908.00 per MT in excess of 100 MT	65,927.50 + 953.40 per MT in excess of 100 MT	56,040 + 810.40 per MT in excess of 100 MT
Above 200 MT	79,474 + 530 per MT in excess of 200 MT	1,11,300 + 742.00 per MT in excess of 200 MT	1,33,560.00 + 890.40 per MT in excess of 200 MT	1,53,587.50 + 1,024.00 per MT in excess of 200 MT	1,61,268 + 1,075.20 per MT in excess of 200 MT	1,37,080 + 913.90 per MT in excess of 200 MT

17.1.2. Landing charges approved for international flights for Third Control Period have been provided below

Table 80: Landing charges -International for the Third Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23 Tariff w.e.f. 01.04.2022	FY 2023-24 Tariff w.e.f. 01.04.2023	FY 2024-25 Tariff w.e.f. 01.04.2024	FY 2025-26 Tariff w.e.f. 01.04.2025 to 31.12.2025	FY 2025-26 Tariff w.e.f. 01.01.2026 to 31.03.2026
Up to 25 MT	289 per MT	404.60 Per MT	485.50 Per MT	558.30 Per MT	586.20 Per MT	498.30 Per MT
Above 25 MT up to 50 MT	7,223+ 541 per MT in excess of 25 MT	10,115 + 757.40 per MT in excess of 25 MT	12,137.50 + 908.90 per MT in excess of 25 MT	13,957.50 + 1,045.20 per MT in excess of 25 MT	14,655.00 + 1,097.50 per MT in excess of 25 MT	12,457.50 + 932.90 per MT in excess of 25 MT
Above 50 MT up to 100 MT	20,758+ 627 per MT in excess of 50 MT	29,050 + 877.80 per MT in excess of 50 MT	34,860.00 + 1,053.40 per MT in excess of 50 MT	40,087.50 + 1,211.40 per MT in excess of 50 MT	42,092.50 + 1,272.00 per MT in excess of 50 MT	35,780 + 1,081.20 per MT in excess of 50 MT



Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
		Tariff w.e.f. 01.04.2022	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025 to 31.12.2025	Tariff w.e.f. 01.01.2026 to 31.03.2026
Above 100 MT to 200 MT	52,109+ 722 per MT in excess of 100 MT	72,940 + 1,010.80 per MT in excess of 100 MT	87,530.00 + 1,213.00 per MT in excess of 100 MT	1,00,657.50 + 1,395.00 per MT in excess of 100 MT	1,05,692.50 + 1,464.80 per MT in excess of 100 MT	89,840 + 1,245.10 per MT in excess of 100 MT
Above 200 MT	1,24,334 + 867 per MT in excess of 200 MT	1,74,020 + 1,213.80 per MT in excess of 200 MT	2,08,830 + 1,456.60 per MT in excess of 200 MT	2,40,157.50 + 1,675.10 per MT in excess of 200 MT	2,52,172.50 + 1,758.90 per MT in excess of 200 MT	2,14,350 + 1,495.10 per MT in excess of 200 MT

**Notes-**

1. No Landing charges shall be payable in respect of a) aircraft with a maximum certified Passenger Capacity of less than 80 seats, being operated by domestic schedule operators at airport and b) helicopters of all types C) DGCA approved Flying school/flying training institute aircrafts.
2. All domestic legs of International routes flown by Indian Operators will be treated as Domestic flights as far as landing charges is concerned, irrespective of flight number Assigned to such flights.
3. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
4. Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

17.1.3. **Parking charges\*** approved for Third Control Period have been provided below:

Table 81: Parking charges (per hour) up to two hours after first two free hours for the Third Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
		Tariff w.e.f. 01.04.2022	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025 to 31.12.2025	Tariff w.e.f. 01.01.2026 to 31.03.2026
Up to 25 MT	3 per Hour per MT	4.20 Per Hour Per MT	5.00 Per Hour Per MT	5.80 Per Hour Per MT	6.10 Per Hour Per MT	5.20 Per Hour Per MT
Above 25 MT up to 50 MT	75+ 4 per Hour per MT in excess of 25 MT	105.00+ 5.60 per MT per Hour in excess of 25 MT	125 + 6.70 per MT per Hour in excess of 25 MT	145.00+ 7.70 per MT per Hour in excess of 25 MT	152.50 + 8.10 per MT per Hour in excess of 25 MT	130.00 + 6.90 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	175+8 per MT per Hour in excess of 50 MT	245.00 + 11.20 per MT per Hour in excess of 50 MT	292.50 + 13.40 per MT per Hour in excess of 50 MT	337.50+ 15.40 per MT per Hour in excess of 50 MT	355.00 + 16.20 per MT per Hour in excess of 50 MT	302.50 + 13.80 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	575+10 per MT per Hour in excess of 100 MT	805.00 + 14.00 per MT per Hour in excess of 100 MT	962.50 + 16.80 per MT per Hour in excess of 100 MT	1,107.50 + 19.30 per MT per Hours in excess of 100 MT	1,165.00+ 20.30 per MT per Hours in excess of 100 MT	992.50+ 17.30 per MT per Hours in excess of 100 MT





Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
		Tariff w.e.f. 01.04.2022	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025 to 31.12.2025	Tariff w.e.f. 01.01.2026 to 31.03.2026
Above 200 MT	1,575+11 per MT per Hour in excess of 200 MT	2,205.00 + 15.40 per MT per Hour in excess of 200 MT	2,642.50 + 18.50 per MT per Hour in excess of 200 MT	3,037.50+ 21.30 per MT per Hours in excess of 200 MT	3,195.00 + 22.40 per MT per Hours in excess of 200 MT	2,722.50 + 19.00 per MT per Hours in excess of 200 MT

\* Housing charges subsumed within parking charges.

Table 82: Parking charges beyond first four hours for the Third Control Period

(Rates in ₹)

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26
		Tariff w.e.f. 01.04.2022	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025 to 31.12.2025	Tariff w.e.f. 01.01.2026 to 31.03.2026
Up to 25 MT	6 per Hour per MT	8.40 Per Hour Per MT	10.00 Per Hour Per MT	11.60 Per Hour Per MT	12.20 Per Hour Per MT	10.40 Per Hour Per MT
Above 25 MT up to 50 MT	150+ 8 per Hour per MT in excess of 25 MT	210.00 + 11.20 per MT per Hour in excess of 25 MT	250 + 13.40 per MT per Hour in excess of 25 MT	290.00+ 15.40 per MT per Hour in excess of 25 MT	305.00 + 16.20 per MT per Hour in excess of 25 MT	260.00 + 13.80 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	350+ 16 per MT per Hour in excess of 50 MT	490.00 + 22.40 per MT per Hour in excess of 50 MT	585 + 26.80 per MT per Hour in excess of 50 MT	675.00 + 30.80 per MT per Hour in excess of 50 MT	710.00 + 32.40 per MT per Hour in excess of 50 MT	605.00 + 27.60 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	1,150+ 20 per MT per Hour in excess of 100 MT	1,610.00 + 28.00 per MT per Hour in excess of 100 MT	1,925 + 33.60 per MT per Hours in excess of 100 MT	2,215.00 + 38.60 per MT per Hours in excess of 100 MT	2,330.00 + 40.60 per MT per Hours in excess of 100 MT	1,985.00 + 34.60 per MT per Hours in excess of 100 MT
Above 200 MT	3,150+ 22 per MT per Hour in excess of 200 MT	4,410.00 + 30.80 per MT per Hour in excess of 200 MT	5,285 + 37.00 per MT per Hours in excess of 200 MT	6,075.00 + 42.60 per MT per Hours in excess of 200 MT	6,390.00 + 44.80 per MT per Hours in excess of 200 MT	5,445.00 + 38.00 per MT per Hours in excess of 200 MT

**Notes-**

- No parking charges shall be levied for the first two hours. 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 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 take-off.
- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.
- Charges for each period parking shall be rounded off to nearest rupee.





5. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Calicut Airport if the State Government has brought the rate of tax (VAT) on ATF  $\leq 5\%$ . The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of  $\leq 5\%$  tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
8. For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable.

17.1.4. **User Development Fees (UDF):** UDF charges for the Third Control Period have been provided below:

Table 83: UDF (per embarking passenger) for the Third Control Period

Passenger	(Rates in ₹)					
	FY 2021-22 (existing rates)	FY 2022-23 Tariff w.e.f 01.04.2022	FY 2023-24 Tariff w.e.f 01.04.2023	FY 2024-25 Tariff w.e.f 01.04.2024	FY 2025-26 (01.04.2025 to 31.12.2025)	FY 2025-26 (01.01.2026 to 31.03.2026)
Domestic	213	410	420	430	440	375
International	476	660	680	720	740	630

**Notes:**

1. Collection charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI, 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 AAI within the credit period of 15 days or in case of any part payment.
2. No collection charges are payable to casual operator/non-scheduled operators.
3. 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.
4. No UDF will be levied for transit passengers.

17.1.5. **Aviation Security Fee:** Applicable as prescribed by MoCA from time to time.

17.1.6. Exemption from levy and collection from UDF/ASF at the Airports.

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008- AAI & vide Letter no. AV.13024/659/2015-AS dated 30.11.2011 & 13.06.2019 respectively has





directed AAI to exempt the following categories of persons from levy and collection of UDF/ASF.

- (a) Children (under age of 2 years),
- (b) Holders of Diplomatic Passport,
- (c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. 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 passenger").
- (g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

**17.1.7. General Condition:**

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) 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 GOI.





**17.2. Annexure II: Approved vis-a-vis Actual Capex incurred by Calicut International Airport for the Second Control Period**

S. No	Asset category	Description of the project	Capex approved by AERA (₹ in Crores)	Actual capex incurred by Calicut International Airport (₹ in Crores)	Remarks
1	Terminal Building	Construction of New international Arrival block, Internal Modification of Existing Intl. passengers Terminal Building and Associated Works at Calicut Airport.	78.61	76.43	This includes Financing allowance for ₹ 5.20 Crores (included under ₹ 76.43 cr), which has been disallowed by the Authority
2	Electrical installation	Electrical installations for NIAB	28.93	28.93	
3	Runway	Resurfacing and strengthening of Runway at Calicut International Airport	28.4	33.86	This includes Financing allowance for ₹ 2.20 Crores (included under ₹ 33.86 cr), which has been disallowed by the Authority
4	Road, bridges and culverts	1. C/o Open Drain in Operational Area connecting Barrack 2. Re-carpeting of City side pavements	0.94	-	
5	Other Building - Unclassified	1. Construction of Administration. Block.	10	-	The work had not been executed due to non-availability of land.
		2. Dedicated water supply from Cheekode project to Calicut	6	4.41	The cost of dedicated water supply line had been included under Machinery. The Authority has now re-classified it under Other - Buildings
		3. Additional Toilet for others	0.15	0.4	This includes other works also like frangible hut installation, elevated watch towers etc.
6	Building Residential	1. Renovation of flooring and allied works for staff Quarters (Phase II)	0.25	0.18	
			153.28	144.21	





**17.3. Annexure III: Unapproved/ Additional Capex incurred by Calicut International Airport during the Second Control Period**

S. No	Asset category	Description of the project	Amount (₹ in Crores)	Remarks
1	Electrical Installations (Security related)	Inline baggage handling system	21.40	As per latest BCAS guidelines CTX based Inline Baggage Handling system need to be installed by 2021 hence Upgradation in the existing ILBS with CTX based XBIS carried out. Inline baggage screening systems, which are automated screening equipment that remotely screen and clear a bag without the use of a physical inspection.
		FIDS/ AOCC	4.25	Flight Data processed Departure and Arrival message in respect of Calicut bound flights are automatically integrated to AOCC for Departure and Arrival timings. AOCC use this data for FIDS display.
		Instrument Landing system	2.82	Instrument Landing System is a standard International Civil Aviation Organisation (ICAO) precision landing aid that is used to provide accurate azimuth and descent guidance signals for guidance to aircraft for landing on the runway under normal or adverse weather conditions.
		Passenger boarding bridges	5.59	Earlier only 3 bays were provided with Passenger Boarding Bridges. During the Second Control Period, PBBs were installed to two more bays for improved passenger facilitation.
		MROV (Mini Remotely Operated Vehicle)-18NOS	1.60	This was purchased for increased security-bomb Detection supporting item
		Immigration Counter	1.87	- The electronic gate (e-GATE) installed at the customs inspection area where passengers proceed to after being admitted through immigration. Travellers' identities will be confirmed at a kiosk terminal and at an exit gate. - Dynamic signage visible from much greater distances than traditional signage which enables the passengers to report in the specific counters much easily.
		Other items (less than ₹ 50 lacs)	13.45	
		<b>Total Electrical installations</b>	<b>50.98</b>	
2	Tools & Equipment	CHQ-SUPPLY OF THREAT CONTAINMENT VESSEL-INO	8.69	Threat Containment vessel(TCV)-Part of Bomb Detection and Disposal Squad(BDDS) equipment, used to contain explosive up to 6 tons of Trinitrotoluene (TNT) multiple times. Total Containment Vessels are fully enclosed vessels designed to safely secure, transport, and test explosive devices from threat location to designated location.





S. No	Asset category	Description of the project	Amount (₹ in Crores)	Remarks
		CUTE & CUSS equipment.	0.70	Common User Terminal Equipment (3 Nos) : 3 more Boarding Gate systems were procured due to the increase in the number of boarding gates and number of aero bridges and three keyboards. Common User Self Service- (4 Nos) : As per the request from Airlines ,4 more CUSS counter were provided for facilitating check in for domestic departure of easing congestion at check in counters ,Scanner- (33 Nos) – As per request from Airlines ,bar code scanner for scanning Air ticket bar code were procured by AAI.
		Other items (less than ₹ 50 lacs). This includes Human life detector, supply of bomb suits etc	1.78	
		<b>Total - Tools and Equipment</b>	<b>11.18</b>	
3	Machinery	Replacement of DG set	3.05	Replacement of existing Diesel Generator due to completion of its service life and deteriorate performance. As per AAI disposal policy replaced the item which was fully depreciated
		Other items (less than ₹ 50 lacs)	2.16	
		<b>Total – Machinery</b>	<b>5.21</b>	
4	Vehicles	Rubber removal machine	5.28	Being a table-top runway it is mandatory to maintain runway friction value 0.5μ for the operation of code E Aircrafts. Hence frequent rubber removal has to be carried out on runway especially at the touch down areas. For this purpose Rubber removal machine is used extensively. This vehicle is also being used for removing obsolete paint markings and fungi from Apron/Runway/Taxi way.
		Mechanised GCM tractor	0.74	Mechanised GCM tractors offers vacuum sweepers in a variety of shapes and sizes, with options for moving and cleaning jobs. These can be used to collect the removed grass
		Other items (less than ₹ 50 lacs)	0.23	
			<b>6.26</b>	
5	CFT & Fire-fighting equipment		4.36	
6	X-Ray Equipment		3.10	
7	Boundary Wall - Operational		2.80	
8	Roads, Bridges & culverts		2.71	
9	ATM Furniture		2.30	
10	Vehicles - Cars & Jeeps		0.76	
11	Office Furniture		0.48	





S. No	Asset category	Description of the project	Amount (₹ in Crores)	Remarks
12	Office Equipment		0.48	
13	Furniture & Fixtures - Trolleys		0.46	
14	Security Fencing		0.42	
15	Computer Software		0.07	
16	Computers & Peripherals		0.04	
			17.98	
		<b>Grand Total</b>	<b>91.60</b>	



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