

फाइल संख्या ऐरा/20010/एमवाईटीपी/गोवा/सीपी-III/2021-26

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आदेश संख्या 04/ 2022-23

Order No. 04/2022-23



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

गोवा अंतरराष्ट्रीय हवाईअड्डा, गोवा (जीओआई) के संबंध में तृतीय नियंत्रण अवधि
(01.04.2021 से 31.03.2026) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में
**IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR
GOA INTERNATIONAL AIRPORT, GOA (GOI) FOR THE THIRD CONTROL
PERIOD
(01.04.2021 – 31.03.2026)**

जारी करने की तारीख: 03 जून, 2022

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ऐरा भवन/AERA Building
प्रशासनिक कॉम्प्लेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली/New Delhi – 110003

आदेश संख्या/Order No 04/2022-23

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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	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AOCC	Airports Operations Control Centre
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
BIAL	Bangalore International Airport Limited
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CFT	Crash Fire Tender
CHQ	Central Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CSR	Corporate Social Responsibility
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GHIAL	GMR Hyderabad International Airport Limited
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
MIAL	Mumbai International Airport Limited



Abbreviation	Full Form
NAR	Non-aeronautical revenue
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. Dabolim International Airport ('Goa International Airport' or 'Goa Airport') is operated by the Airports Authority of India, as the civil enclave is an Indian Navy naval airbase. It was 9th busiest airport for the FY 2019-20 (pre-COVID period) and 8th busiest airport for FY 2020-21¹, among the top 50 busiest airports in India by the passengers handled. Similarly, it was the 9th busiest airport for the FY 2019-20 and 11th busiest airport for the FY 2020-21, among the top 50 busiest airports in India, by air traffic movements.
- 1.1.2. The Airport received international airport status in December 2013. It is situated 5 kilometres from the nearest city, Vasco da Gama, and 23 kilometres from Margao, and about 30 kilometres from the Goa state capital, Panjim city.

1.2. Goa International Airport

- 1.2.1. The total area of Goa Airport is 44 acres and the total area of the Airport's integrated Terminal Building is 65,235 Sq.m, which handles both domestic and international operations:
- The Aeronautical area within the above Terminal Building is 60,402 Sq.m. and the non-aeronautical area is 4,833 Sq.m.
 - The Airport has the capacity to handle 750 (domestic and international passengers) at Arrival and 2,000 (domestic and international passengers) at Departure during peak hours.
 - The ratio of Aeronautical and Non-aeronautical area within the Terminal Building is 92.5:7.5
- 1.2.2. As per the AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, a "major airport" means any airport which has or is designated to have, passenger throughput in excess of 3.5 MPPA or any other airport or any other group of airports as the Central Government may by notification, specify as such. Goa International Airport is a major airport, which initially had a designated capacity of 4.55 MPPA. Later, after restructuring of the airport, the designated capacity had been enhanced from 4.55 MPPA to 7.65 MPPA. The domestic passengers for FY 2019-20 were 7.65 MPPA (92% of total passenger traffic) and international passengers for FY 2019-20 were 0.7 MPPA (8% of total passenger traffic).
- 1.2.3. The length of the Airport's Runway is about 3,426 metres and it has one parallel taxi track. Further, it has 15 link taxi tracks and 11 apron bays. The total area of car parking is about 11,543 Sq.m.

1.3. Flights and Cargo Operations

- 1.3.1. The following are the major airlines that operate at Goa Airport:

a) Domestic

- Air India
- Indigo Airlines
- Air Asia
- SpiceJet
- Go First (erstwhile GoAir)
- Vistara

b) International

- Air India
- Air Arabia
- Qatar Airways
- Oman Air

- 1.3.2. Cargo operations at Goa Airport is also undertaken through the above airlines.

¹ As per data on top 50 busiest airports for FY 2019-20 and FY 2020-21, 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, $s = 30\%$.
- NARt 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. 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:

- 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
- 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).
- Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- 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).
- Order No. 20/2016-17 dated 31.03.2017 (Allowing concession to RCS flights under Regional Connectivity Scheme (RCS)).
- 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).
- 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 parking and other Aeronautical services at Goa International Airport. AAI has submitted that the tariff proposal does not consider revenues, expenditure, and assets on account of ANS. This Consultation Paper 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), a wholly owned subsidiary of AAI and the tariff proposal 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 with AAICLAS.
- 2.2.3 This Consultation Paper discusses the determination of tariff for Aeronautical services at Goa International Airport excluding Cargo Operations. The tariff related to Cargo Operations of Goa



International Airport will be determined separately since its operations are carried out by AAICLAS.

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 Goa International Airport for revision of tariffs of Second Control Period for Aeronautical services, for the Authority's consideration and approval on March 1, 2017.
- ii. 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. 18/2017-18 dated September 1, 2017 and the meeting with the Stakeholders for inviting their responses was held on September 18, 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 Goa International Airport and determined the Aeronautical tariff vide its Order No. 16/2017-18 dated October 30, 2017 for Goa International Airport for the Second Control Period (April 1, 2016 - March 31, 2021) with revised tariffs effective from December 1, 2017.

2.4 Issuance of Consultation paper and receipt of Stakeholders' comments

- 2.4.1 AAI filed its MYTP submissions for Goa International Airport for the Third Control Period i.e., from FY 2021-22 to FY 2025-26, vide their letter dated August 17, 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 various queries from time to time and sought clarification from AAI on the assumptions used in the MYTP submitted by AAI.
- 2.4.2 AAI had submitted MYTP for Goa International Airport with the audited figures for the first 4 tariff years of the Second Control Period (FY 2016-17 to FY 2019-20) and unaudited figures for the fifth tariff year viz., FY 2020-21. Subsequently, AAI submitted the audited figures for the fifth tariff year viz., FY 2020-21 also. 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 Goa International Airport. Accordingly, M/s R. Subramanian & Co., LLP has assisted the Authority in examining the MYTP of the Airport Operator, analysing the data from the various supporting documents including the audited accounts and FAR submitted by the Airport Operator, examining the regulatory building blocks in the determination of tariff, conducting a site visit in September 2021 and ensuring that, the treatment given to it is consistent with the Authority's methodology, approach etc. The Consultant has analysed all the documents submitted by the Airport Operator including the audited financial information for the Second Control Period.
- 2.4.4 After examination of MYTP and other details submitted by AAI, Authority issued Consultation Paper No. 29/2021-22 dated January 27, 2022. Following the release of the Consultation Paper, the Authority had convened a meeting of stakeholders on February 15, 2022. 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. 29/2021-22.
- 2.4.6 The following stakeholders have provided their comments on the Consultation Paper No. 29/2021-22 which are available on AERA's website:
 - i. Airports Authority of India (AAI)



- ii. Federation of Indian Airlines (FIA)
- iii. GMR Goa International Airport Limited (GGIAL)

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
Process of Tariff Determination	FIA
True of Second Control Period	AAI and FIA
Traffic for the Third Control Period	AAI, FIA and GGIAL
Regulatory Asset Base and Depreciation for the Third Control Period	AAI and FIA
Fair Rate of Return for the Third Control Period	AAI and FIA
Inflation for the Third Control Period	No comments
Non-aeronautical revenue for the Third Control Period	AAI and 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
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 March 8, 2022. Thus, the Stakeholders' Consultation process concluded on the receipt of counter comment from AAI on March 8, 2022.

2.4.9 The Authority has examined the various comments and observations of stakeholders along with submissions made by the Airport Operator (AAI) to finalize 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. 29/2021-22 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 the process of determination of tariff for the Third Control Period

2.5.2 FIA has commented the following on Regulatory till:

"We submit that in Para 3.1.2 of the Consultation Paper, it is stated that the AERA shall determine



tariffs for using the 30% Hybrid Till model including for true ups as applicable.

It is to be noted that we have from time to time, advocated the application of a Single Till model across the airports in India. We submit that AERA should adopt Single Till basis across all Control Periods, including by way of true up, in view of the following legal framework:

In the Single Till Order, AERA has strongly made a case in favour of the determination of tariff on the basis of 'Single Till'.

It is noteworthy that the AERA has, inter alia, in its Single Till Order:

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

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

The fundamental reasoning behind 'Single Till' approach is that if the consumers/passengers are offered cheaper airfares on account of lower airport charges, the volume of passengers is bound to increase leading to more footfall and probability of higher non-aeronautical revenue.

The benefit of such non aeronautical revenue should be passed on to consumers/passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be considered by the AERA."

2.5.3 FIA has submitted the following regarding revenues from Air Navigation and Cargo services:

"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 the process of determination of tariff for the Third Control Period

2.5.4 AAI has responded to FIA's comments on Single Till method as under:

"As per National Civil Aviation Policy 2016 [Page17 para-c] "to ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidise aeronautical charges. In case the tariff in one particular year or contractual period turns out to be excessive, the airport operator and regulator will explore ways to keep the tariff reasonable, and spread the excess amount over the future".



AAI has prepared MYTP on Hybrid Till Basis and AERA has considered it.

AERA may also offer its views. "

- 2.5.5 AAI has responded to FIA's comments on revenue from Air Navigation and Cargo services as under:

The methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 and the Airport Guidelines issued by AERA. (para 3.3.1 of the Consultation Paper.)

As per the guidelines, for the Second Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical revenue is to be used for cross-subsidizing the Aeronautical charges. The Authority has considered the same methodology in the true up of the Second Control Period and for tariff determination in the Third Control Period. (para 3.3.2 of the Consultation Paper.)

The ARR under Hybrid Till for the Control Period (ARR) shall be expressed as under:

$$ARR = \sum ARR_{t=1}$$

$$ARR_t = (FRoR \times RAB_t) + Dt + Ot + Tt - s \times NAR_t \text{ (para 3.3.3 of the Consultation Paper.)}$$

AAI submits that the tariff determination for airports by AERA is done only for the Aeronautical charges collected by the AAI of Major airports.

Tariff for Air Navigation Services (ANS) for India as a whole has been determined by MoCA whereas, AAICLAS (Cargo services) is 100% subsidiary of AAI and tariff is determined separately by AERA. However, 30% royalty from AAICLAS has been considered as Aeronautical Revenue. "

Authority's analysis on Stakeholders' comments regarding the process of determination of tariff for the Third Control Period

- 2.5.6 The Authority has noted the comments of FIA regarding the regulatory till applicable for the Airport. The Authority has decided to adopt Hybrid Till as per the revised guidelines issued vide its Order No. 14/2016-17 dated January 12, 2017. The Authority provided detailed reasoning and adequately responded to the stakeholders' comments on the adoption of Hybrid Till while issuing its Order No. 14/ 2016-17 dated January 12, 2017. The extract of the Order is provided as under:

"The Authority will in future determine the tariff of Major Airports under "Hybrid Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extent the Airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory Till, shall remain the same.

Therefore, Hybrid Till methodology has been followed to determine the aeronautical tariff in respect of Goa Airport.

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

- i. **Revenue from Cargo:** 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 assets, expenses and revenues pertaining to these services separately while determining tariff for these services. Revenue to the Airport Operator from Royalty, Leasing, Rent, etc. is considered as Aeronautical revenue in the tariff determination exercise. 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 the Service Provider.

- ii. **Revenue from ANS:** Tariff for ANS is presently regulated by the Ministry of Civil Aviation for all the airports. 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 assets, expenses and revenues from ANS.

2.6 Construct of the Tariff Order

- 2.6.1 The Tariff Order is structured under various chapters with the Chapter 2 explaining the framework applied for determining tariffs for Goa International Airport with Stakeholders' comments on the process 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 Goa International Airport pertaining to various issues, followed by a recap of the Authority's decisions regarding the various building blocks for the Second Control Period as per the Tariff Order for the Second Control Period. This is followed by the Authority's analysis on the specific issues regarding true up of the Second Control Period as part of the tariff determination for the Third Control Period as already mentioned in the Consultation Paper No. 29/2021-22 dated January 27, 2022. The same is followed by comments from various stakeholders along with counter comments from the Airport Operator and followed by Authority's Analysis and Final Decision on the subject matter.
- 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 including projected Traffic, RAB and Depreciation, Fair Rate of Return, Return on Land, Operating Expenses, Non-Aeronautical Revenue projections, Taxes, Inflation and Quality of Service along with Authority's analysis regarding the same as set out in Consultation Paper No. 29/2021-22 dated January 27, 2022. 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 Chapter 13 presents the revised Aggregate Revenue Requirement as determined by the Authority based on the various decisions of the Authority and adjustments considered by the Authority for the Third Control Period. This is followed by comments of AAI and other stakeholders. Thereafter, the Authority's Analysis and Final Decisions are set out
- 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 Goa International Airport to be charged in the Third Control Period is given in Annexure I.
- 2.6.6 Chapter 15 summarises Authority's decisions on all the matters relating to the tariff computations and Chapter 16 is the Final Tariff Order issued by the Authority for the Third Control Period of Goa International Airport



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 Goa International Airport for the Second Control Period

3.1.3. AAI had submitted the following shortfall of ₹ 350.16 Crores for Goa International Airport for the Second Control Period, as part of its MYTP submission for the Third Control Period:

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

(₹ Crores)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Total Revenue from Regulated Services (a)	50.90	67.80	151.90	149.67	49.37	469.65
Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b)	14.24	14.87	26.56	33.37	2.76	91.81
Operating Expenditure (c)	48.86	66.84	89.53	100.93	102.86	409.02
Working Capital Interest (d)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (e)	14.29	16.38	18.80	22.10	25.40	96.97
Total Expenditure (c) + (d) + (e) = (f)	63.14	83.21	108.33	123.04	128.26	505.99
Regulatory operating Profit (a) + (b) - (f) = (g)	2.00	(0.54)	70.12	60.01	(76.12)	55.47
Average RAB = (h)	269.27	298.93	323.49	360.96	411.83	1,664.47
Return on Average RAB (h) * 14% (i)	37.90	42.03	45.45	50.68	57.79	233.85
Return on Land (j)	0.00	0.00	0.00	0.01	0.01	0.02
Financing Allowance for the First Control Period (k)	1.61	0.00	0.00	0.00	0.00	1.61
Tax @ 34.944% (FY18-19) & 25.17% w.e.f. FY 19-20 on (g) = (l)	0.00	0.00	0.00	0.00	0.00	0.00



TRUE UP FOR THE SECOND CONTROL PERIOD

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
(Excess)/Shortfall of FCP (m)	53.00					53.00
ARR [(f)+(i)+(j)+(k)+(l)+(m)]-(b) = (n)	141.41	110.37	127.22	140.35	183.29	702.65
(Excess)/Shortfall (a-n)	90.50	42.57	(24.67)	(9.32)	133.92	233.00
Shortfall including Return @14%	174.26	71.90	(36.55)	(12.11)	152.67	350.16

3.2. Authority's examination 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 had 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. 16/ 2017-18 dated October 30, 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:** The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure 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 recommendations of the study on depreciation and finalise 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 trued 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 realising the projected revenues.
- **Decision No. 11b – O&M expenses:** The Authority expects AAI to reduce O&M expenditure over a period of time.
- **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.
- **Decision No. 11d – O&M expenses:** The Authority decides the following factors for corrections while determining tariffs for the next control period:
 - i. Mandated cost incurred due to directions issued by Regulatory Agencies like DGCA



- ii. *Cost of actual operating expenses including electricity*
- iii. *All statutory levies in the nature of fees, levies, taxes and such other charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/ service provided by AAI will be reviewed by the Authority for the purpose of corrections.*
- **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 Goa International Airport for the Second Control Period as follows:

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

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2016-17	60,51,602	8,04,760	68,56,362	42,698	5,103	47,801
2017-18	67,71,985	8,35,264	76,07,249	45,666	4,901	50,567
2018-19	76,85,581	7,81,745	84,67,326	52,401	4,545	56,946
2019-20	76,51,362	7,04,878	83,56,240	53,636	4,019	57,655
2020-21	28,50,679	39,866	28,90,545	21,785	356	22,141
Total	3,10,11,209	31,66,513	3,41,77,722	2,16,186	18,924	2,35,110

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

- 3.3.2. The Authority verified the actual Passenger traffic and ATM (as per Table 3) for the Second Control Period with AAI's website and noted no variances. The traffic approved by the Authority in the Tariff Order No. 16/ 2017-18 for the Second Control Period had been shown in the table below:

Table 4: 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	60,51,602	8,04,760	68,56,362	42,701	5,094	47,795
2017-18	69,03,138	8,43,247	77,46,385	47,120	5,347	52,467
2018-19	78,74,495	8,83,575	87,58,070	51,996	5,612	57,608
2019-20	89,82,535	9,25,832	99,08,367	57,376	5,890	63,266
2020-21	1,02,46,489	9,70,109	1,12,16,598	63,313	6182	69,495
Total	4,00,58,259	44,27,523	4,44,85,782	2,62,506	28,125	2,90,631

- 3.3.3. The Authority noted from the above table that the actual Passenger traffic and ATM for the first three tariff years of the Second Control Period (as per Table 3) is more or less in line with that approved by the Authority in the Tariff Order for the Second Control Period, although there were minor deviations

- 3.3.4. Further, the Authority noted that there is substantial variance in the passenger traffic and ATM for the



FY 2019-20 between the actual traffic and the projections approved in the Tariff Order for the Second Control Period, which is attributable to the adverse impact of COVID-19 pandemic. After the outbreak of COVID-19 pandemic in December 2019, many chartered flights were cancelled from January 2020, due to which the domestic and international passenger traffic had been showing a decreasing trend.

- 3.3.5. The actual traffic for the 5th tariff year viz., FY 2020-21 was significantly lower than the projections submitted in 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 submitted by AAI for the Second Control Period, as shown in Table 3.

Stakeholders' comments on true up of traffic for the 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 on 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 the Second Control Period, consistent with the proposal made in the Consultation Paper No. 29/ 2021-22. The traffic considered by the Authority for true up of the Second Control Period has been shown in Table 3.

3.4. True up of Capital Expenditure and Depreciation

- 3.4.1. Capex approved by the Authority in the Tariff Order for Second Control Period is ₹ 155.3 Crores. *(a)*
- 3.4.2. Actual Capex incurred by AAI for Goa International Airport for the Second Control Period is ₹ 260.59 Crores. *(b)*
- 3.4.3. Variance *(b-a)*: ₹ 105.28 Crores (68%). These have been detailed in the below tables.

Table 5: Capital expenditure 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, Taxiways, Aprons-Freehold	-	-	-	-	90.0	90.0
2	Terminal and Other Buildings	0.7	19.6	-	-	-	20.3
3	Building Residential	-	26.8	-	-	-	26.8
4	Security Fencing- Temporary	-	1	-	-	-	1.0
5	Tools and Equipment	1.1	-	-	-	-	1.1
6	Electrical installations	0.5	15.5	-	-	-	16
7	CFT/Fire fighting Equipment	-	0.1	-	-	-	0.1
	Total	2.3	63.0	0.0	0.0	90.0	155.3



Table 6: Capital additions during the Second Control Period submitted by AAI for Goa International Airport

(₹ Crores)

S. No	Asset category	Capex approved by AERA	Actual capex incurred	Financing Allowance	Remarks
A. Capex incurred towards projects approved by AERA for Second Control Period					
1	Runways, Taxiways, Aprons-Freehold	90.00	67.44	9.10	Refer Annexure II for item wise details
2	Terminal and Other Buildings	20.30	52.02	3.58	
3	Building Residential	26.80	0.00		
4	Security Fencing- Temporary	1.00	-		
5	Tools and Equipment	1.10	26.31	0.12	
6	Electrical installations	16.00	0.00		
7	CFT/Fire-fighting Equipment	0.10	0.03		
	Total Approved Capex (A)	155.30	145.80	12.80	
B. Unplanned/ Unapproved Capex incurred by Goa International Airport during Second Control Period					
8	Roads, Bridges & culverts	-	0.28		Refer Annexure III for item wise details
9	Temporary Building	-	0.86		
10	Computers & Peripherals	-	0.89	0.01	
11	Software	-	0.14		
12	Plant and Machinery	-	68.06	1.68	
13	Vehicles	-	0.69		
14	Office Equipment	-	1.00		
15	Furniture & Fixtures - Operational Area	-	9.09	0.02	
16	ATM Furniture	-	1.49		
17	X-Ray	-	17.78		
	Total Unapproved Capex (B)	-	100.28	1.71	
	Total Capex incurred (A+B)	-	246.08	14.51	

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

3.4.4. The Authority analysed the variances between Approved Capex (as per the Tariff Order for the Second Control Period) 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:

A. Capex incurred towards projects approved by AERA for Second Control Period**A2. Terminal Building and other Buildings:**

The variance between the Approved Capex and Actual Capex for the Second Control Period for Terminal and Other Buildings were on account of the following:

- Extension of Western side finger at a cost of ₹ 38.76 Crores for both civil and electrical works which is capitalized in the second control period in the Aeronautical ratio of Terminal Building i.e. 92.5%:7.5%.
- Construction of Admin Block at a cost of ₹ 2.20 Crores.



- Final payments for construction of New International Terminal Block approved in the First Control Period along with suitable modifications required for segregation of Domestic and International passengers to meet the requirements of robust traffic growth and passenger facilitation at Goa Airport The same had been approved in the AUCC meeting no AAI/GOA/APD/AERA/2017/889/1623 dated March 28, 2017.

A3. Building Residential: The Authority noted that construction of Residential quarters amounting to ₹ 26.77 Crores was completed on July 31, 2018. However, due to certain policy changes by the State Government of Goa, there was delay in the grant of Panchayat License, which was subsequently issued on July 29, 2020. After the receipt of the above license, AAI was in the process of securing MPDA permission (which was obtained on September 16, 2021). AAI has stated that completion certificate from MPDA and Occupation certificate from Chicalim Panchayat is awaited, after which the asset is expected to be put to use in March 2022. The Authority had considered the same and included the above capex towards Residential quarters in the RAB for the Third Control Period (in the FY 2021-22).

A5. Tools and Equipment majorly comprised the following:

- Installation of threat containment vessel (This is a fully enclosed vessel designed to safely transport and test explosive devices) at Goa Airport amounting to ₹ 8.69 Crores
- Purchase of Mobile Radio Operative vehicle (MROV) at a cost of ₹ 1.60 Crores – being part of Bomb detection and Disposal System (BDDS).
- Installation of Access Control System at Goa Airport amounting to ₹ 6.17 Crores.
- Other items such as Luggage containment vessel, Passenger processing service, Human Life detectors etc.

B. Unplanned/ Unapproved Capex incurred by Goa International Airport during Second Control Period

B12. Plant and Machinery: The Authority noted that capital expenditure incurred for plant and machinery included the following:

- Supply, Installation, testing and commissioning of Inline Baggage System (ILBS) at a cost of ₹ 15.84 Crores for faster movement and flawless security screening of baggage in order to manage the increased passenger movement.
- Installation of Aerobridges and other equipment of ₹ 14.71 Crores in the New International Terminal Block (NITB).
- Additional Passenger Boarding Bridges & AVDGS for ₹ 7.91 Crores incurred for passenger facilitation due to increase in passengers.
- Other items (for ₹ 29.90 crores) include expenditure incurred on construction of elevators, air conditioners, conveyors, CCTVs etc., due to extension of NITB on Western Finger for operation requirement & facilitation of passengers.

B15. Furniture and Fixtures – Operational area: The Authority noted that capital expenditure of ₹ 9.09 Crores was incurred towards providing realignment of immigration counters, fixing roll carpets and decorative LED smart panels at NITB as a part of operational requirements to facilitate passengers and also to increase ASQ rating by enhancing the outlook of the NITB.

B17. X-Ray: The Authority noted that an amount of ₹ 17.78 Crores incurred towards Registered Baggage X-ray system procured & supplied by CHQ to meet the operational & security requirements.



3.4.5. Upon analysis of the above capital expenditure, the Authority was of the view that most of these expenses were incurred by Goa International Airport for Security or Passenger facilitation purposes to mitigate threats and improve operational needs.

3.4.6. The Authority noted that Goa International Airport had capitalised Financing allowance of ₹ 14.51 Crores towards:

- Extension of Apron (₹ 9.10 Crores) and
- Construction of New International Arrival Block (₹ 5.41 Crores included under Terminal Building, Plant and Machinery and other assets as shown under Table 6) in the MYTP submitted for the true up of the Second Control Period.

Also, Goa Airport had claimed ₹ 1.61 Crores towards Financing allowance for the First Control Period. However, at the time of submission of the MYTP for the Second Control Period, such Financing allowance was not proposed by Goa Airport and the Authority also had not approved the same in the Tariff Order issued for Goa Airport for the Second Control Period. Further, it was noted that the above capital expenditure was carried out by Goa Airport using its own funds. The Authority was of the view that Financing allowance is essentially the Interest During Construction (IDC) for a project and should be provided only on the debt borrowings availed for execution of a project.

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. The Authority noted that 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 noted that Goa 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. Further, it may also be noted that 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 project through a mix of equity and debt.

Accordingly, based on the above analysis, the Authority proposed not to allow the Financing allowance of ₹ 14.51 Crores claimed by AAI for the Second Control Period and of ₹ 1.61 Crores claimed for the First Control Period for the Goa Airport

3.4.9. The Authority proposed to consider the actual capex as ₹ 246.08 Crores (after making the above adjustments on Financing allowance) for the purpose of true up for the Second Control Period. The same had been detailed in the table below:



Table 7: Capital additions as proposed by the Authority for True up of the Second Control Period at the Consultation stage

(₹ Crores)

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
A. Capex incurred towards projects approved by AERA for Second Control Period							
1	Runways & Aprons	2.95	-	-	58.45	6.05	67.45
2	Building – Terminal & others	2.04	42.51	2.50	2.68	2.29	52.02
3	Building – Residential	-	-	-	-	-	-
4	Tools & Equipment	2.08	0.59	13.05	2.74	7.85	26.31
5	CFT & Fire- fighting equipment	0.03	-	-	-	-	0.03
	Total (A)	7.10	43.10	15.55	63.87	16.19	145.81
B. Unplanned/ Unapproved Capex incurred by Goa International Airport during Second Control Period							
6	Roads, Bridges & culverts	-	-	0.28	-	-	0.28
7	Temporary Building	-	-	0.86	-	-	0.86
8	Computers and Peripherals	0.27	0.10	0.34	0.15	0.03	0.89
9	Computer Software	-	0.04	0.03	0.06	-	0.14
10	Machinery	15.73	15.80	2.45	20.12	13.95	68.06
11	ATM Furniture	0.45	0.53	0.10	0.41	-	1.49
12	Vehicles	-	-	0.20	0.49	-	0.69
13	Office Equipment	0.64	0.29	0.05	0.01	0.00	1.00
14	Furniture & Fixtures – Trolleys	0.31	0.56	0.84	6.86	0.53	9.09
15	X-Ray Equipment	0.38	0.22	0.05	2.58	14.55	17.78
	Total (B)	17.78	17.54	5.19	30.68	29.06	100.28
	Financing Allowance	-	-	-	-	-	-
	Total (A+B)	24.88	60.64	20.75	94.55	45.25	246.08

3.4.10. The depreciation on the above Capex had been recomputed by the Authority as ₹ 95.91 Crores and the same had been presented in the table below.

Table 8: Depreciation proposed by the Authority for True up of the Second Control Period at the Consultation stage

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Runways/Taxiway	0.44	0.44	0.44	0.44	0.44	2.22
Apron	0.05	0.10	0.10	1.07	2.15	3.46
Roads Bridges & Culverts	0.04	0.04	0.14	0.16	0.16	0.55
Terminal Buildings	7.83	8.57	9.29	9.35	9.43	44.48
Temporary Building	0.00	0.00	0.14	0.28	0.28	0.71
Residential Building	0.02	0.02	0.02	0.02	0.01	0.09
Temporary Boundary Wall	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Operational)	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Res.)	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings	0.00	0.00	0.03	0.06	0.06	0.15
Computers & I.T. Hardware	0.03	0.06	0.18	0.26	0.29	0.82



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Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Intangible Assets- Computer Software	0.00	0.00	0.01	0.02	0.03	0.06
Plant & Machinery	2.18	3.23	3.84	4.59	5.72	19.55
Tools & Equipment	0.11	0.20	0.64	1.17	1.52	3.64
Furniture-Office	0.30	0.30	0.42	0.42	0.41	1.86
Vehicles	0.03	0.02	0.03	0.07	0.09	0.24
Cars/Jeeps	0.00	0.00	0.00	0.00	0.00	0.00
Elect. Installations	2.44	2.34	2.22	2.00	1.90	10.89
Office Eqpt. & Appliances	0.15	0.23	0.24	0.22	0.20	1.04
F&F- Operational Area	0.13	0.17	0.29	0.83	1.34	2.76
ATM Furniture-Trolley	0.05	0.09	0.42	0.46	0.50	1.52
X-Ray Baggage Sys.	0.22	0.24	0.25	0.34	0.81	1.85
CFT & Fire Fighting Equip.	0.00	0.00	0.00	0.00	0.00	0.01
TOTAL	14.02	16.07	18.73	21.75	25.34	95.91

3.4.11. The RAB for the Second Control Period had been provided in the Table below:

Table 9: RAB proposed by the Authority for True up of the Second Control Period at the Consultation stage

(₹ Crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Opening RAB (1)	263.00*	273.86	318.43	320.45	393.25	
Additions (2) (refer Table 7)	24.89	60.64	20.75	94.55	45.25	246.08
Disposal/Transfers (3)	0.00	0.27	0.00	0.00	0.00	0.27
Depreciation (4) (Refer Table 8)	14.02	16.07	18.73	21.75	25.34	95.91
Closing RAB (5) = [(1) + (2) - (3) - (4)]	273.86	318.43	320.45	393.25	413.17	
Average RAB = [(1) + (5)]/2	268.43	296.15	319.44	356.85	403.21	

* This was the closing RAB as on March 31, 2016

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

3.4.12. 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. 29/2021-22 with respect to True up of Capital Expenditure, Depreciation and RAB for the Second Control Period. The comments by stakeholders are presented below:



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

3.4.13. AAI has commented the following:

Disallowing of Financing Allowance

- 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 _{t-1}	OW	-	-	-	558	638	-
Capital Expenditure	CE	-	638	521	-	-	-
Financing Allowance	$FA = R_d \times (OW + (CE - CA - SC)/2)$	-	-	37	80	43	-
Capital Receipts	SC	-	200	-	-	-	-
Commissioned Assets	CA	-	633	-	-	681	-
Closing WIP: WIP _t	$CW = OW + CE - FA - SC - CA$	-	-	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 _{t-1}	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 _t	$CR = OR + CA - DR - DI + IA$	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.

AAI's Request

- 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 is not in line with AERA 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 ₹14.51 crores computed for Assets capitalized in SCP. Further, AAI requests AERA to also consider these additions by way of financing allowance for depreciation computation and return on RAB accordingly.

Depreciation

3.4.14. AAI has commented the following towards depreciation:

The Depreciation on Terminal Building proposed by AAI is as under:

(₹ Crores)					
FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	Total
7.87	8.61	9.33	9.39	9.47	44.67

There is a difference of ₹ 0.04 cr (₹19 cr for 2nd CP) in each year due to formula error. AERA is requested to update the same.



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

3.4.15. The Authority has carefully examined the comments of AAI on financing allowance. The Authority states 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. Further, it may be noted that Financing Allowance was allowed for airports such as BIAL, HIAL, CIAL etc in the initial stage of their development, as equity of the Airport Operator is blocked till such time the Airport becomes operational.
- ii. Financing Allowance is a notional allowance and different from interest during construction. 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 project through a mix of equity and debt.
- iii. AERA Guidelines, 2011 does 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.

In view of the above, the Authority is of the view that there is no reason to deviate from the proposal made by it regarding Financing Allowance in Consultation Paper No. 29/2021-22 dated January 27, 2022. Therefore, the Authority sees no merit in AAI's contention.

True up of Depreciation

3.4.16. The Authority notes the comment of AAI and states that the difference in depreciation is miniscule in nature, which is due to non-consideration of Financing Allowance (as explained in Para No. 3.4.8 of this Tariff Order).

3.4.17. The Authority has adopted the date of "put to use" while computing depreciation for the Second Control Period. This is in line with the prescribed Schedule II of Companies Act as described below:

"Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, the depreciation on such assets shall be calculated on a pro rata basis from the date of such addition or, as the case may be, up to the date on which such asset has been sold, discarded, demolished or destroyed. "

3.4.18. Based on the above analysis, the depreciation for assets which have been commissioned/put to use in the Second Control Period has been calculated from the date when the asset was put to use. This practice has been applied to all the assets capitalised in the Second Control Period

3.4.19. The Authority states that the concept of 50% depreciation for the year of addition is applicable only for projections of depreciation. Relevant extract of Direction 5 issued by the Authority is as follows:

"(e) For projecting depreciation on forecast of assets to be commissioned or disposed of during a control period, it shall be assumed that such assets have been commissioned or disposed of halfway through the tariff year and depreciation related to such assets shall be calculated pro rata."

3.4.20. The Authority notes that the same practice was adopted in other major PPP airports. Going forward, this methodology will be adopted across all Airports including that of AAI. This would ensure that the



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depreciation considered is uniform and aligned with generally accepted accounting practices and the accounting done in the books of the airport also.

- 3.4.21. While recalculating depreciation, the Authority noted some discrepancies in the date of capitalisation of assets in FY 2019-20 and FY 2020-21 by AAI. The Authority has re-computed capital additions for the Second Control Period as under:

Table 10: Aeronautical Capital additions 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
Runways/Taxiway	0.00	0.00	0.00	0.00	0.00	0.00
Apron	2.95	0.00	0.00	64.50	0.00	67.45
Roads Bridges & Culverts	0.00	0.00	0.28	0.00	0.00	0.28
Terminal Buildings	2.04	42.52	0.81	2.83	1.98	50.18
Temporary Building	0.00	0.00	0.85	0.00	0.00	0.85
Residential Building	0.00	0.00	0.00	0.00	0.00	0.00
Temporary Boundary Wall	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Operational)	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Res.)	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings	0.00	0.00	1.69	0.15	0.00	1.84
Computers & I.T. Hardware	0.27	0.10	0.34	0.15	0.03	0.89
Intangible Assets- Computer Software	0.00	0.04	0.03	0.06	0.00	0.14
Plant & Machinery	15.73	15.80	2.49	20.10	13.93	68.06
Tools & Equipment	2.08	0.59	13.08	2.71	7.85	26.31
Furniture-Office	0.00	0.00	0.00	0.00	0.00	0.00
Vehicles	0.00	0.00	0.20	0.49	0.00	0.69
Cars/Jeeps	0.00	0.00	0.00	0.00	0.00	0.00
Elect. Installations	0.00	0.00	0.00	0.00	0.00	0.00
Office Eqpt. & Appliances	0.64	0.29	0.05	0.01	0.00	1.00
F&F- Operational Area	0.31	0.56	0.84	6.86	0.53	9.09
ATM Furniture-Trolley	0.45	0.53	0.10	0.41	0.00	1.49
X-Ray Baggage Sys.	0.38	0.22	0.05	2.58	14.55	17.79
CFT & Fire Fighting Equip.	0.03	0.00	0.00	0.00	0.00	0.03
TOTAL	24.89	60.64	20.82	100.86	38.88	246.08

- 3.4.22. Accordingly, the Authority has incorporated the relevant changes to RAB of the Second Control Period and has recalculated the depreciation to be ₹ 93.43 Cr, which is reproduced year-wise in the following table:

Table 11: Aeronautical Depreciation 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
Runways/Taxiway	0.44	0.44	0.44	0.44	0.44	2.22
Apron	0.00	0.10	0.10	0.42	2.25	2.86



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Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Roads Bridges & Culverts	0.04	0.04	0.16	0.16	0.16	0.56
Terminal Buildings	7.81	8.32	9.28	9.34	9.45	44.20
Temporary Building	0.00	0.00	0.21	0.28	0.28	0.78
Residential Building	0.02	0.02	0.02	0.02	0.01	0.09
Temporary Boundary Wall	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Operational)	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Res.)	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings	0.00	0.00	0.04	0.06	0.06	0.16
Computers & I.T. Hardware	0.01	0.06	0.18	0.24	0.29	0.79
Intangible Assets- Computer Software	0.00	0.00	0.01	0.02	0.03	0.05
Plant & Machinery	1.75	3.20	3.80	4.22	5.45	18.42
Tools & Equipment	0.06	0.19	0.65	1.16	1.42	3.48
Furniture-Office	0.30	0.30	0.42	0.42	0.41	1.86
Vehicles	0.03	0.02	0.02	0.04	0.09	0.20
Cars/Jeeps	0.00	0.00	0.00	0.00	0.00	0.00
Elect. Installations	2.44	2.34	2.22	2.00	1.90	10.89
Office Eqpt. & Appliances	0.21	0.23	0.25	0.22	0.20	1.10
F&F- Operational Area	0.12	0.16	0.29	0.77	1.34	2.69
ATM Furniture-Trolley	0.07	0.10	0.42	0.53	0.50	1.61
X-Ray Baggage Sys.	0.21	0.25	0.25	0.42	0.32	1.45
CFT & Fire Fighting Equip.	0.00	0.00	0.00	0.00	0.00	0.01
TOTAL	13.52	15.78	18.77	20.74	24.61	93.43

3.4.23. Based on the above analysis, the Authority has re-computed RAB for the Second Control Period as follows:

Table 12: 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)	263.00*	274.36	319.21	321.27	401.38	
Additions (2) (refer Table 10)	24.89	60.64	20.82	100.86	38.87	246.08
Disposal/Transfers (3)	0.00	0.27	0.00	0.00	0.00	0.27
Depreciation (4) (Refer Table 11)	13.52	15.78	18.77	20.74	24.61	93.43
Closing RAB (5) = [(1) + (2) - (3) - (4)]	274.36	319.21	321.27	401.38	415.64	
Average RAB = [(1) + (5)]/2	268.68	296.79	320.24	361.32	408.51	

* This was the closing RAB as on March 31, 2016.



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 ₹ 180.60 Crores (a)

3.5.2. Actual Non-aeronautical revenue earned during the Second Control Period is ₹ 306.22 Crores (b)

Table 13: 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	3.9	4.5	5.1	5.8	6.6	25.9
2	Stalls	2.4	2.8	3.1	3.6	4.1	16.0
3	Hoardings & Displays	4.5	5.2	5.9	6.7	7.6	29.9
4	Buildings (Residential)	0.0	0.0	0.0	0.0	0.0	0.0
5	Buildings (Non-Residential)	4.2	4.6	5.1	5.6	6.2	25.7
6	Duty Free Shops	8.2	9.1	10.0	11.0	12.1	50.4
7	Car rentals	0.0	0.2	0.2	0.3	0.3	1.0
8	Car Parking	3.1	2.5	2.7	3.0	3.3	14.6
9	Admission tickets	0.5	0.6	0.6	0.7	0.7	3.1
10	Miscellaneous Income (Including cargo handling)	5.0	5.3	5.6	5.8	6.1	27.8
11	Sale of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0
	Sub-Total	32.0	34.6	38.3	42.4	47.0	194.3
Less:	Adjustments for change in revenue of ground handling charges and cargo considered as Aeronautical revenues	(0.9)	(2.2)	(2.8)	(3.5)	(4.3)	(13.7)
	Total	31.1	32.4	35.5	38.9	42.7	180.6

Table 14: Actual Non-aeronautical revenue for the Second Control Period submitted by AAI for Goa 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	3.29	7.66	4.73	35.65	1.52	52.85
2	Stalls	8.49	13.05	52.42	48.10	0.08	122.14
3	Hoardings & displays	3.72	4.03	4.81	7.85	1.72	22.12
4	Land Lease	0.12	0.07	0.17	0.19	0.02	0.58
4	Buildings (Residential)	(0.02)	0.00	0.00	0.00	0.00	(0.02)
5	Buildings (Non-Residential)	10.49	2.88	2.86	3.04	2.24	21.51
6	Duty Free Shops	10.05	8.33	9.31	9.07	0.11	36.87
7	Car rentals	0.00	0.00	0.14	0.31	0.03	0.49
8	Car Parking	3.40	3.57	2.33	1.78	0.73	11.81
9	Admission tickets	0.64	0.35	0.50	0.23	0.21	1.92
10	Miscellaneous Income (including Cargo handling)	7.03	9.76	11.16	4.99	2.44	35.38
11	Sale of Fixed Assets	0.27	0.05	0.11	0.04	0.11	0.58
	Total	47.47	49.76	88.54	111.25	9.20	306.22



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

3.5.3. The Authority noted that the total actual Non-aeronautical revenue (₹ 306.22 Crores) submitted by AAI for Goa International Airport for the Second Control Period is higher than that approved by AERA in the tariff order for the Second Control Period (₹ 180.60 Crores). The Authority examined variances between projected and actual revenue of the following categories:

- **Restaurants and Snack bar:** The revenue projected in this category was ₹ 25.90 Crores, whereas the actual revenue is ₹ 52.85 Crores (which is higher than the projections). The revenue for the year 2019-20 was higher than the other years (at ₹ 35.65 Crores) due to award of Master concession for Food & Beverage (F&B) outlets to the party M/s Travel Food Services Private Limited at ₹ 3.88 Crores per month. This agreement was in place only for FY 2018-19 and 2019-20 and after which it was foreclosed in November 2020, due to COVID-19 pandemic. This had resulted in decrease in the revenues for the FY 2020-21.
- **T.R Stalls:** The revenue projected in this category was ₹ 16.00 Crores, whereas the actual revenue is ₹ 122.10 Crores (which is higher than the projections). The revenue for FY 2018-19 was higher than the other years (at ₹ 52.42 Crores) due to award of Master concession for Individual Retail outlets to the party M/s FLFL Travel Retail West Private Limited at ₹ 2.92 Crores per month. The above revenue was not forecasted by AAI, while submitting their MYTP for the Second Control Period to AERA and hence there is significant increase in the actual revenue as compared to that approved in the Tariff Order for the Second Control Period. This agreement was in place only for the FY 2018-19 and FY 2019-20 and after which it was foreclosed in July 2020, due to COVID-19 pandemic. This had resulted in decrease in the revenues for the FY 2020-21.
- Further, such short duration Master Concessionaire agreements (mentioned under Restaurants and Snack Bar and T.R Stalls above) that were in existence only in FY 2018-19 and FY 2019-20, and foreclosed in FY 2020-21 due to COVID-19 uncertainties, had resulted in substantial increase in Non-aeronautical revenues during the above years. This had impacted the revenues for FY 2020-21 (as these agreements were terminated in FY 2020-21) and also the projections made towards Non-aeronautical revenues during the Third Control Period, as the projections were based on the actual Non-aeronautical revenues earned in the FY 2020-21.
- There are variances in the other revenue streams (like duty free shops, car parking, admission ticket etc.), which is also on account of drop in the revenues in FY 2020-21 due to the impact of COVID-19 pandemic.
- **Building residential:** There is negative entry of ₹ 0.02 Crores on account of refund of excess recovery of License fees from the employee.

3.5.4. The Authority proposed to consider the actual Non-aeronautical revenue as presented in Table 14 for the purpose of true up for the Second Control Period.

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

3.5.5. No comments were received from the 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

- 3.5.6. It is noted that no comments were received from the Stakeholders regarding true up of Non-aeronautical for the Second Control Period. In this regard the Authority has decided to consider the actual Non-aeronautical revenue of the Second Control Period as per Table 14, for true up of the Second Control Period.

3.6. True up of Operational and Maintenance (O&M) expenses

- 3.6.1. O&M expenses approved by the Authority in the Tariff Order for Second Control Period is ₹ 195.9 Crores. (a)
- 3.6.2. Actual O&M expenses for the Second Control Period is ₹ 409.02 Crores. (b)
- 3.6.3. Variance (b-a): ₹ 213.12 Crores (52%).

Table 15: O&M expenses as per 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 Goa International Airport	10.9	13.7	14.6	15.7	16.7	71.6
2	Expenditure for Goa International Airport employee's retirement benefits allocated at CHQ	1.7	1.8	1.9	2.1	2.2	9.7
A	Total Payroll expenditure (1+2)	12.6	15.5	16.5	17.8	18.9	81.3
3	Administrative and General Expenditure	2.6	2.9	3.2	3.5	3.9	16.1
4	Apportionment of administration & General expenditure of CHQ/RHQ	5.1	5.4	5.7	6	6.3	28.5
B	Total Administration and General expenditure (3+4)	7.8	8.3	8.9	9.5	10.1	44.6
C	Repair & Maintenance Expenditure (Total)	4.8	5.3	5.8	6.4	7	29.3
5	Power Charges	7.3	7.3	7.3	7.3	7.3	36.5
6	Water Charges	0.4	0.4	0.4	0.4	0.4	2
7	Consumption of Stores and Spares	0	0.1	0.1	0.1	0.1	0.4
D	Utility and Outsourcing Expenditure (5+6+7)	7.8	7.8	7.8	7.8	7.8	39
E	Other Outflows	0.3	0.3	0.4	0.4	0.5	1.9
	Total (A+B+C+D+E)	33.3	37.2	39.4	41.7	44.3	195.9

Table 16: Actual O&M expenses submitted by AAI for Goa International Airport 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 Goa International Airport	9.49	12.43	11.92	12.99	12.96	59.79
2	Expenditure for Goa International Airport	0.25	1.73	3.37	1.15	1.23	7.72



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S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
	employee's retirement benefits allocated at CHQ						
A	Total Payroll expenditure (1+2)	9.74	14.16	15.29	14.13	14.19	67.52
3	Administrative and General Expenditure	3.05	6.38	7.55	9.47	10.10	36.54
4	Apportionment of Administration & General expenditure of CHQ/RHQ	19.80	26.13	35.20	47.45	49.83	178.41
B	Total Administration and General expenditure (3+4)	22.84	32.51	42.75	56.92	59.92	214.95
C	Repair & Maintenance Expenditure (Total)	5.47	6.81	17.34	15.46	18.58	63.66
5	Power Charges	9.86	11.77	11.90	12.36	9.68	55.57
6	Water Charges	0.57	0.59	0.57	0.52	0.44	2.69
7	Other charges	0.04	0.04	0.05	0.10	0.01	0.26
D	Utility and Outsourcing Expenditure (5+6+7)	10.47	12.41	12.53	12.98	10.12	58.51
E	Other Outflows	0.33	0.94	1.63	1.44	0.04	4.38
	Total (A+B+C+D+E)	48.86	66.84	89.53	100.93	102.86	409.02

Notes:

- There is significant variance in Administration and General expenditure of CHQ/ RHQ of ₹ 178.41 Crores as against approved expenses of ₹ 28.50 Crores, due to which the total Administration expenses is much higher than the projections.
- The Actual repairs and maintenance expenses of ₹ 63.66 Crores is much higher than the approved expense of ₹ 29.30 Crores. Also, the actual power expenses are ₹ 55.57 Crores as against approved power expense of ₹ 36.50 Crores.

Authority's examination 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:

- **Payroll expenses:** The Authority noted that payroll expenses for FY 2020-21 submitted by AAI is based on actuals reported in the Trial Balance for the FY 2020-21 and the same is 0.23% lesser than that of FY 2019-20. The Authority proposes to consider the actual payroll expenses of FY 2016-17 to FY 2020-21 for true up of the Second Control Period.
- The Authority examined the actual **Administration and General expenditure and Repair & Maintenance expenditure** 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 Goa 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, in the ratio of revenues earned by each Airport.
 - Expenses such as legal costs, interest/ penalties are related to some specific airports. However,



these have been allocated to the common pool and apportioned to all the AAI airports.

The Authority is 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 has examined the major expense components of CHQ and RHQ for the FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 submitted by AAI in November and December 2021 and has proposed the following views on allocation of CHQ/ RHQ expenses:

a) Pay and Allowances of CHQ and RHQ:

- AAI had considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are Non-aeronautical in nature.
- AAI had excluded pay and allowances of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion has been done for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provide services to Non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances need to be adjusted accordingly.

Considering all the facts and figures as stated above, the Authority was of the view that 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:

- i. Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports.
- ii. Officials of Directorate of Commercial.

Balance 80% of pay and allowances of CHQ and RHQ have been allocated to the Airports.

b) Administration & General Expenses of CHQ and RHQ:

- AAI had incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority was of the view that this expense should be analysed and distributed to stations on a case-to-case basis. As the above details had not been provided by AAI, the same had not been allocated to the stations. Further, the Authority was of the view that considering the present scenario where the COVID-19 pandemic has significantly impacted the Aviation sector, it is imperative for the Airport Operators to rationalise their costs and plan the operations in an efficient manner.
- AAI had paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority was of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses had not been allocated to the airports.

Based on the above methodology, the Authority had derived the revised allocation of CHQ and RHQ expenses and the same had been presented in the table below:



Table 17: Re-allocation of CHQ/ RHQ – Admin and Gen expenses by the Authority for the Second Control Period at the Consultation stage

(₹ Crores)

Particulars	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)	19.80	26.13	35.20	47.45	49.83	178.41
Revised allocation of CHQ/ RHQ expenses by the Authority	16.41	16.73	17.60	33.87	35.20	119.81

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 was 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 Goa International Airport.

The Authority felt that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue was non transparent and an inefficient method, as it brings large variation in such expenses Year on Year, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the major airports have 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. The Authority, therefore, expects AAI to examine these issues in detail and devise an effective and efficient method for allocation of CHQ & RHQ expenses on priority.

Further, the Authority felt that AAI should exploit the potential of its non-traffic avenues fully so that 30% of the same, by cross subsidisation can be used to cover Aeronautical expenses.

- **Administration expenses (Other than CHQ/ RHQ):** - There was significant increase in Admin Expenses between the cost approved (₹16.10 Crores) and actual cost incurred (₹ 36.54 Crores). The Authority noted that that such increase in Admin is due to finalisation of MESS contract for maintenance services and also hiring of vehicles and of manpower, which were needed for operational requirements. The Authority had drawn reference to its decision No. 11b on O&M expenditure that the Authority expects 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. The Authority based on its analysis and in view of the above decision on O&M expenses, proposed to allow an increase of 10% over the approved costs of ₹16.10 Crores towards Administration expenses- other than CHQ/ RHQ (which worked out to ₹17.71 Crores).

The Authority was of the view that AAI should estimate its expenses towards Administration expenses 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%).

- **Repair and Maintenance:** The Authority noted that the huge variance in the repair and maintenance cost which was approved by AERA in the Tariff Order for the Second Control Period (₹ 29.30 Crores) and the actual expense submitted by AAI for the Second Control Period (₹ 63.66 Crores). The Authority noted the following reasons for the above variance:



- In FY 2018-19 expenses such as development of Concessionaire area and other area (₹1.06 Crores), modification of toilet in Terminal Building and entry gates (amounting to ₹ 5.31 Crores) had been charged off to repair and maintenance in accordance with the accounting policy of AAI.
- In FY 2019-20 expenses of ₹ 2.22 Crores incurred towards repainting of portal frames, modification of toilet and miscellaneous civil works in the Terminal Building had been charged off to repair and maintenance, as per the Accounting Policy of AAI.
- In FY 2020-21 expenses of ₹ 11.60 crores were incurred towards repairs of HVAC, miscellaneous civil works within Terminal building (elevators, escalators, etc.) and ₹ 3.05 crores incurred towards repairs and maintenance of AOCC.
- Apart from the above, following capital expenditure were incurred during the Second Control Period resulting incurrence of additional cost towards Annual Maintenance Charges (AMC), which are also forming part of O & M expenses.
 - ✓ HVAC of Western side finger
 - ✓ Supply, Installation, testing and commissioning of three passenger boarding bridges
 - ✓ Supply, Installation, testing and commissioning of five AHU in the western side of Terminal Building
 - ✓ Supply, Installation, testing and commissioning of Elevators in Western side finger
 - ✓ Maintenance of Flood lights of Apron and of additional 400 TR Chiller.
- Based on the above analysis the Authority was of the view that Repairs and Maintenance expenses are at reasonable levels (within the range of 2.1% to 5.5% of opening Net Block of assets for each tariff year in the Second Control Period).
- **Power Charges:** The Authority noted that the variance between approved and actual power costs during the Second Control Period is due to commissioning of additional facilities such as installation of HVAC in the Western Side Finger (of the Terminal Building), commissioning of Parallel Taxi Track, supply installation testing and commissioning of Passenger Boarding Bridges, and elevators in the Western Side Finger.

The Authority noted that the above power costs incurred during the Second Control Period and claimed by AAI as a part of true up, were net of recoveries made from the Concessionaires. The total power costs incurred, recoveries made from Concessionaires and the net power costs had been summarised in the table below:

Table 18: 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)	10.63	12.50	12.91	14.12	10.75	60.91
Recoveries from Concessionaires (B)	0.77	0.73	1.01	1.76	1.07	5.34
Recoveries (%) = (B/A%)	7%	6%	8%	12%	10%	



Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Net power costs (A-B)	9.86	11.77	11.90	12.36	9.68	55.57

- 3.6.5. AAI had incurred ₹ 1.09 Crores (₹ 0.35 Crores for FY 2019-20 and ₹ 0.74 Crores for FY 2020-21) towards CSR expenses. The Authority examined AAI's submission regarding CSR expenses under Administration & General expenses and noted that the same are within the mandatory spend values such as 2% of the average profits of the preceding 3 financial years as defined under the statutory requirement under the Companies Act, 2013. The Authority proposed to allow the above expenses incurred by AAI towards CSR expenses.
- 3.6.6. Based on the above review and analysis, the revised Operation and Maintenance expenses proposed to be considered by the Authority for the Second Control Period had provided in the table below:

Table 19: O&M expenses as proposed by the Authority for True up of the Second Control Period at the Consultation stage

(₹ Crores)

S. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Pay roll expenditure	9.49	12.43	11.92	12.99	12.96	59.79
2	Expenditure for Goa International Airport employee's retirement benefits allocated at CHQ	0.25	1.73	3.37	1.15	1.23	7.72
A	Total Payroll expenditure (1+2)	9.74	14.16	15.29	14.13	14.19	67.52
3	Administrative and General Expenditure	2.86	3.19	3.52	3.85	4.29	17.71
4	Apportionment of administration & General expenditure of CHQ/RHQ	16.41	16.73	17.60	33.87	35.20	119.81
B	Total Administration and General expenditure (3+4)	19.27	19.92	21.12	37.72	39.49	137.52
C	Repair & Maintenance Expenditure	5.47	6.81	17.34	15.46	18.58	63.66
5	Power Charges	9.86	11.77	11.90	12.36	9.68	55.57
6	Water Charges	0.57	0.59	0.57	0.52	0.44	2.69
7	Other charges	0.04	0.04	0.05	0.10	0.01	0.26
D	Utility and Outsourcing Expenditure (5+6+7)	10.47	12.41	12.53	12.98	10.12	58.51
E	Other Outflows	0.33	0.94	1.63	1.44	0.04	4.38
	Total (A+B+C+D+E)	45.28	54.24	67.91	81.73	82.42	331.58

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

- 3.6.7. 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. 29/2021-22 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 Operation and Maintenance Expenses for the Second Control Period

3.6.8. AAI has commented the following:

Admin & General Expenses of CHQ and RHQ:

Pay & Allowances of CHQ and RHQ

- AERA has considered the actual CHQ/RHO expenses for determination of aeronautical tariff charges in case of Amritsar, Varanasi, Trichy and Raipur airports.
- AAI has resubmitted the CHO/RHQ Allocations for the F.Y. 2016-17 to 2020-21 vide e-mail dated 24.12.2021 after a detailed analysis which has not been considered in CP.
- In respect of 20% of exclusion of Pay and Allowances excluded by AERA, AAI has submitted 5% of the Net Expenses of CHO & RHO to be considered as non-aero expenses that includes commercial, Land and Common Staff those who are working for ANS as well for land and Commercial departments.
- As per AERA view that percentage share of expenses should be worked out on total outflow of pay and allowances AAI has calculated/worked on same. The detail of workings for the FY 2016-17, 2017-18 & 2020-21 are as under:

PARTICULARS	2016-17				2017-18			
	11000 CHQ		11000 CHQ		11000 CHQ		11000 CHQ	
	Ratio		Ratio		Ratio		Ratio	
	0.50	0.50	0.30	0.70	0.50	0.50	0.30	0.70
	ANS	APT	ANS	APT	ANS	APT	ANS	APT
Admin. and General Expenses								
Insurance	312.63	312.64	187.58	437.69	530.85	530.95	318.53	743.27
Advt. and Publicity	346.83	346.83	208.10	485.56	317.71	317.71	190.63	444.79
Telephone Charges	29.46	29.46	17.67	41.24	33.03	33.03	19.82	46.24
Printing and Stationery	64.75	64.75	38.85	90.65	103.61	103.61	62.17	145.06
Legal Exp.	167.89	167.89	100.73	235.04	872.21	872.21	523.33	1221.09
Travelling Exp.	889.46	889.46	533.68	1245.25	1141.61	1141.61	684.97	1598.26
Upkeep Exp.								
Municipal Taxes	29.49	29.49	17.69	41.28	29.49	29.49	17.69	41.28
Watch & Ward Exp.	3.35	3.35	2.01	4.69	8.73	8.73	5.24	12.22
Hiring of Manpower	6.78	6.78	4.07	9.49	20.96	20.96	12.58	29.34
Fuel to Aircrafts								
Meteorological Charges	12296.08	0.00	12296.08	0.00	12877.54	0.00	12877.54	0.00
Import License, etc	0.00	124.59	0.00	124.59	6.85	241.50	6.85	241.50
Admission Fee					-522.44	-223.90	-522.44	-223.90
Interest	812.66	1577.51	812.66	1577.51	512.70	911.47	512.70	911.47
Aocc Exp.								
Prior Period Exp.	-216.93	-216.93	-130.16	-303.70	-9.25	-9.25	-5.55	-12.95
Other Exp.	890.56	876.42	528.32	1238.65	815.95	818.32	490.79	1143.48
Total	15633.01	4212.23	14617.29	5227.95	16739.54	4796.43	15194.82	6341.16



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PARTICULARS	2016-17				2017-18			
	11000 CHQ		11000 CHQ		11000 CHQ		11000 CHQ	
	Ratio		Ratio		Ratio		Ratio	
	0.50	0.50	0.30	0.70	0.50	0.50	0.30	0.70
	ANS	APT	ANS	APT	ANS	APT	ANS	APT
Repair & Maint. Exp.								
R&M Civil	200.18	200.18	120.11	280.25	282.62	307.07	169.57	420.12
R&M Electrical	129.47	129.47	77.68	181.26	152.87	152.87	91.72	214.02
R&M Vehicles	19.61	38.03	15.45	42.20	5.44	15.56	5.29	15.71
R&M Furniture & Fixtures	7.00	7.00	4.20	9.80	22.87	22.87	13.72	32.01
R&M Electronics	6961.18	37.48	6946.18	52.47	6011.67	60.90	5987.32	85.25
R&M IT Hardware	439.33	439.33	263.60	615.06	482.83	482.83	289.70	675.96
R&M IT S/W	486.43	486.43	291.86	681.00	875.29	875.29	525.18	1225.41
Total	8243.20	1337.92	7719.08	1862.04	7833.59	1917.39	7082.49	2668.49
Utilities and Outsourcing								
Electricity Expenses	182.64	182.64	109.59	255.70	202.69	202.69	121.61	283.77
Consumption of Stores and Spares	1008.28	1.76	1008.28	1.76	1.53	1.53	0.92	2.14
Water Charges	0.00	0.00	0.00	0.00				
Fees paid to Outsiders/Consultancy Charges	3016.41	3016.41	1809.84	4222.97	1856.66	1856.92	1113.89	2599.69
Hire Charges Car/Jeep & Others	17.74	51.64	17.42	51.96	10.11	24.75	8.99	25.87
Total	4225.07	3252.45	2945.14	4532.39	2070.9	2085.89	1245.4	2911.46
Depreciation	668.91	670.65	401.69	937.86	810.09	810.40	486.11	1134.37
Total	668.91	670.65	401.69	937.86	810.09	810.40	486.11	1134.37
CSR	1695.23	3290.73	1695.23	3290.73	803.19	1427.89	803.19	1427.89
Total	1695.23	3290.73	1695.23	3290.73	803.19	1427.89	803.19	1427.89
Research And Development Expenses	0.00	641.60	0.00	641.60	64.74	0.00	64.74	0.00
Total	0.00	641.60	0.00	641.60	64.74	0.00	64.74	0.00
Total Expenditure	30465.41	13405.59	27378.43	16492.57	28322.14	11038.00	24876.77	14483.37
	43871.00		43871.00		39360.14		39360.14	
		3086.99	lakhs			3445.37	lakhs	
		16.00	lakhs			18.00	lakhs	
Employees considered for CHQ Allocations		192.94	No. of Employees			191.41	No. of Employees	
Employees should have been considered		100.2	No. of Employees			164.0	No. of Employees	



Actual Employees for Airport Segment								
Segment	Employee s	No. of Fin & HR common employees	Revised Strength		Employee es	No. of Fin & HR common employee s	Revised Strength	
ANS	245.0	28.0	217.0	217.0	330.0	23.0	307.0	307.0
Airport	1360.0	776.0	584.0	1388.0	1281.0	737.0	544.0	1304.0
				1605.0				1611.0
Cargo	0.0		0.0		11.0		11.0	
Commercial	9.0		9.0		18.0		18.0	
land	6.0		6.0		12.0		12.0	
				1403.0				1334.0
Total	1620.0	804.0	816.0		1652.0	760.0	892.0	
	1620.0				1652.0			
	0.0				0.0			
Proportion of HR & Fin to ANS		104.9	No. Employee s			140.4	No. Employee es	
Proportion of HR & Fin to Non-aero		8.3	No. Employee s			16.6	No. Employee es	
Total No. common employees salary should have been gone to ANS & NON AERO		100.2	No. Employee s			164.0	No. Employee es	

PARTICULARS	2020-21			
	11000 CHQ		11000 CHQ	
	Ratio		Ratio	
	0.50	0.50	0.30	0.70
	ANS	APT		
Admn. and General Expenses				
Insurance	1967.74	1968.06	1180.71	2755.09
Advt. and Publicity	94.16	94.16	56.49	131.82
Telephone Charges	22.37	22.37	13.42	31.32
Printing and Stationary	38.86	38.86	23.32	54.40
Legal Exp.	923.94	923.94	554.37	1293.52
Travelling Exp.	176.33	176.33	105.80	246.86
Upkeep Exp.	0.65	0.65	0.39	0.90
Municipal Taxes	29.57	29.57	17.74	41.40
Watch & Ward Exp.	7.75	7.75	4.65	10.86
Hiring of Manpower	58.11	58.11	34.87	81.36
Fuel to Aircrafts				
Meteorological Charges	13913.69	0.00	13913.69	0.00
Import License, etc				
Admission Fee	461.87	197.94	461.87	197.94
Interest				
AOCC Exp.	0.10	0.10	0.06	0.15



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PARTICULARS	2020-21			
	11000 CHQ		11000 CHQ	
	Ratio		Ratio	
	0.50	0.50	0.30	0.70
Prior Period Exp.	-373.74	-373.74	-224.24	-523.23
Other Exp.	4975.03	4931.22	2973.86	6932.38
Total	22296.44	8075.34	19117.00	11254.77
Repair & Maint. Exp.				
R&M Civil	804.27	804.27	482.56	1125.97
R&M Electrical	342.21	342.21	205.33	479.10
R&M Vehicles	4.08	9.24	4.03	9.29
R&M Furniture & Fixtures	0.14	0.14	0.08	0.19
R&M Electronics	8808.79	137.78	8753.67	192.90
R&M IT Hardware	551.81	551.81	331.08	772.53
R&M IT S/W	706.11	706.11	423.67	988.55
Total	11217.40	2551.56	10200.43	3568.53
Utilities And Outsourcing				
Electricity Expenses	228.44	228.44	137.06	319.81
Consumption of Stores and Spares	0.13	0.15	0.08	0.20
Water Charges	0.37	0.37	0.22	0.52
Fees Paid to Outsiders/Consultancy Charges	1141.29	1141.29	684.77	1597.81
Hire Charges Car/Jeep & Others	3.19	6.70	2.62	7.28
Total	1373.42	1376.94	824.76	1925.61
Depreciation	1527.54	1527.60	916.53	2138.60
Total	1527.54	1527.60	916.53	2138.60
CSR	118.58	304.93	118.58	304.93
Total	118.58	304.93	118.58	304.93
Research And Development Expenses				
Total	0.00	0.00	0.00	0.00
Total Expenditure	36533.38	13836.37	31177.30	19192.44
	50369.74		50369.74	
		5356.07	lakhs	
		25.00	lakhs	
Employees considered for CHQ Allocations		214.24	No. of Employees	
Employees should have been considered		171.4	No. Employees	

Actual Employees for Airport Segment				
Segment	Employees	No. of Fin & HR common employees	REVISED STRENGTH	
ANS	341.0	21.0	320.0	320.0
Airport	1195.0	692.0	503.0	1216.0
				1536.0
Cargo	15.0		15.0	
Commercial	19.0		19.0	
land	12.0		12.0	
				1247.0
Total	1582.0	713.0	869.0	
	1582.0			
	0.0			
Proportion of HR & Fin to ANS			144.2	No. Employees



Actual Employees for Airport Segment				
Segment	Employees	No. of Fin & HR common employees	REVISED STRENGTH	
Proportion of HR & Fin to Non-aero			17.2	No. Employees
Total No. employees salary should have been gone to ANS & AERO			171.4	No. Employees

- v. Based on the above, detailed workings have been done for the FY 2016-17, 2017-18 and 2020-21 wherein, it has been found that the ANS and Airport Employee Strength is 1620 Nos., 1652 Nos. & 1582 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.

Particulars	2016-17	2017-18	2020-21
	No. of Employees		
Airport	1360	1281	1195
ANS	245	330	341
Common (Non-Aero & ANS)	85	123	122
Non-Aero	15	41	49
Total (Common + Non-Aero)	100	164	171
Airport + ANS	1605	1611	1536
Total strength	1620	1652	1582
Ratio of Airport & ANS	78:22	79:21	78:22

- vi. The Common Finance & HR Employees for ANS & Non Aero and Non-Aero i.e. commercial & Land comes out to 100 Nos, 164 Nos., & 171 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.
- The Average Salary for the calculation has been taken as Rs. 16 Lakh, Rs. 18 Lakhs & Rs. 25 Lakhs per employee for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.
 - The revised ratio of Airport & ANS after considering the common employees are hovering around 78:22.
 - In the calculations of CHQ & RHQ allocations, Expenditures (excluding pay & allowance) ratio of 50:50 has been applied among Airport & ANS whereas, the ratio for the sake of convenience is considered as 70:30 among Airport & ANS on the basis of Number of employees.
 - By applying 70:30 Ratio instead of 50:50 in the above expenditure, the excess amount in F.Y. 2016-17, 2017-18 & 2020-21 comes out to Rs. 31 crores, Rs. 34 crores & Rs. 54 Crores respectively.
 - With Average salary assumed and the excess amount of the expenditure for the above-mentioned Financial Years the number of employees comes out to 192 Nos, 191 Nos., & 214 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.
 - In view of above, it is requested to consider Net expenses of CHO/RHQ as per SCP order i.e. @ 5% as non-aero and common expenses instead of 20%.

Also, AAI will undertake a study for CHO & RHQ allocations to devise a robust methodology for allocation

- vii. AAI has provided all the replies to the queries in respect of CHQ/RHQ allocations from time to time. Further, AAI has provided the General Ledgers of all the expenses sought by the Consultant. In view



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of this, AAI submits that the Legal & Arbitration Expenses at CHQ & RHQ level may be considered by AERA.

Particulars	2016-17			2017-18		
	Total	ANS	AIRPORT	Total	ANS	AIRPORT
	TB Figure	50%	50%	TB Figure	50%	50%
OAAI/802001000 Legal Fees & Expenses	322.91	161.46	161.46	702.43	351.21	351.21
OAAI/800021000 Arbitration Expenses	12.86	6.43	6.43	27.60	13.80	13.80
OAAI/729005050 Arbitration Award Other Cost				1014.39	507.20	507.20
Total	335.77	167.89	167.89	1744.42	872.21	872.21

Particulars	2018-19			2019-20		
	Total	ANS	AIRPORT	Total	ANS	AIRPORT
	TB Figure	50%	50%	TB Figure	50%	50%
OAAI/802001000 Legal Fees & Expenses	818.25	409.12	409.12	632.08	316.04	316.04
OAAI/800021000 Arbitration Exp.	618.58	309.29	309.29	118.42	59.21	59.21
OAAI/729005050 Arbit-Award Other Cost	912.09	456.05	456.05	7.99	3.99	3.99
Total	2348.92	1174.46	1174.46	758.49	379.24	379.24

Above figures do not include the following expenditure

2016-17	Rs. 4.87 lakhs deducted on account of legal & arbitration pertaining to DIAL & MIAL
2017-18	Rs. 13.74 lakhs deducted on account of legal & arbitration pertaining to DIAL & MIAL
2018-19	Rs. 118.50 pertains to DIAL & MIAL, Not considered
2019-20	Rs. 255.64 Lakhs legal and prof expenses of DIAL MIAL

- viii. The Legal and arbitration Expenses details are provided for the F.Y. 2016-17 to 2019-20, wherein, it has been clearly shown that all the expenses are allocated to ANS and Airport in the Ratio of 50:50. The Expenses pertaining to JVC's have been deducted before allocating to ANS and Airport. It is to be noted that the legal and arbitration expenses are mainly for the Airport Segment, but allocations to ANS have been done for 50%.
- ix. It is very difficult at this stage to book Legal & Arbitration Expenses to a particular profit centre. Henceforth, AAI will book Legal & Arbitration Expenses specific profit centre from F.Y. 2021-22 onwards.
- x. The impact of Legal & Arbitration Expenses to Airport Segment is only Rs. 26 Crores. Whereas, similar expenses have been shifted to ANS Segment.
- xi. In view of above, it is requested to consider the Legal & Arbitration Expenses as provided by AAI



for CHQ Allocations.

3.6.9. Cost Relatedness- Admin. & General Expenses of CHQ & RHQ

- 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.
- ii. AAI will undertake a study for CHQ & RHQ allocations to devise a robust methodology for uniformity and standardization of allocations.
- iii. AAI has maintained uniformity & standardization in allocation of CHQ & RHQ allocations as submitted on 24.12.2021.

3.6.10. In view of above, it is requested to go through the submission of CHQ/RHQ allocation which is submitted to AERA on 24.12.2021 and same may be considered in the true up exercise of 2nd control period. AAI submits that, based on the above computation, the expenses for TCP may also be considered by AERA as per MYTP.

3.6.11. Administration expenses – other than CHQ & RHQ expenses

AAI has carried out a detailed examination of the Administration expenses & found that the Main reason for increase in Administration exp are as under:

- i. Projection for the 2nd control was done based on existing contract @ Rs.7.15 lacs pm awarded in 2014 for 36 months.
- ii. New contract was awarded on March 2017 @ Rs.30.88 lacs pm (cost increase due to cost inflation and new area included-Admin Block, Western side Finger, paved area city side and airside).
- iii. Further the New contract has been awarded on Sept 2020 @ Rs.41.47lacs pm for 36 months.
- iv. Increase in Hiring of manpower for Apron control, pass section and new contract of "May I Help You".
- v. Increase in office expenses due to Meeting & seminar exp on Parliamentary committee on tourism & India-US Aviation Security Working Group (ASWG).
- vi. Earlier Airport operation were mostly managed through departmental vehicles whereas in last few years the Airport operations are managed through hiring of vehicles.
- vii. Due to increase in fuel price & escalation has also increase the vehicles hiring cost.
- viii. The upkeep contract is awarded to the lowest bidder based on approved tendering policies. As the price discovery is through market mechanism, it may not be possible that the cost will be within 10% of the cost of AAI. Cleanliness of the airport is of utmost importance & the contract to be awarded to the lowest bidder based on the approved policy. There is no increase in other head than above.
- ix. AERA, while issuing Consultation Paper No 08/2021-22 dated 15.06.2021 in the matter of determination of Aeronautical Tariff in r/o Cochin International Airport Ltd, had undertaken a study on Study on Efficient Operation & Maintenance Expenses for Cochin International Airport Ltd (FY 2017-2021) where in AERA has stated in chapter External Benchmarking that Goa airport has the lowest O&M Expenses . per PAX and per SQM of Terminal area (Refer Para 7.2.61 of the CP) comparing with Airports having similar passenger Through Put. Table of O&M Expenses per pax and per sqmtr of Terminal Area as under.



7.2.2. The various aspects related to O&M expenses based on passenger traffic compared across the select airports considered above are summarized in the table below:

Table 16: O&M expense comparison (passenger traffic wise) across select domestic airports

Airport location	Employee expenses (INR) per PAX	R&M expenses (INR) per PAX	Utilities expenses (INR) per PAX	A&G expenses (INR) per PAX	Total O&M expense (INR) per PAX
Cochin	66	21	26	56	169
Mumbai	37	23	22	77	158
Patna	49	15	5	63	132
Goa	19	7	9	11	46
Kolkata	95	33	36	17	180
Pune	51	10	9	8	78
Ahmedabad	40	26	24	24	114
Bhubaneswar	51	23	9	86	170

7.2.5. The various aspects related to O&M expenses compared across the select airports considered in this study and based on terminal area are summarized in the table below:

Table 18: O&M expense comparison (terminal area wise) across select domestic airports

Airport location	Employee expenses (INR) per sqm	R&M expenses (INR) per sqm	Utilities expenses (INR) per sqm	A&G expenses (INR) per sqm	Total O&M expenses (INR) per sqm
Cochin	3140	985	1250	2670	8045
Mumbai	3660	2285	2145	7620	15715
Patna	24240	7330	2450	30755	64775
Goa	2605	930	1300	1490	6325
Kolkata	8475	2910	3180	1550	16120
Pune	20295	3900	3605	3360	31165
Ahmedabad	5840	3915	3560	3490	16810
Bhubaneswar	6320	2855	1170	10675	21020

Note: The numbers in the above table have been approximated to nearest multiple of 5

Hence, AERA is requested to consider the Actual expenses of Rs.36.54 cr as proposed for SCP in MYTP.

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

3.6.12. FIA has commented the following:

- "We observe that AERA has noted that the process adopted by Goa Airport for allocating the expenses is not transparent (Para 4.6.4 of the Consultation Paper).
- We further observe that Goa Airport has paid Interest/penalties to Government of India at CHQ & RHQ level (Para 4.6.4(b) of the Consultation Paper) and in this regard AERA has rightly stated that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on part of the Airport Operator. We support AERA's decision to direct AAI in adopting a scientific/ rational approach for justifiable allocation of expenses attributable to Goa Airport, in future.
- Further, AERA has noted that Goa Airport should exploit the potential of its non-traffic avenues fully so that 30% of the same, by cross subsidisation, can be used to cover Aeronautical expenses (Para 4.6.4 (b) of the Consultation Paper).
- In addition, it is observed that several actual O&M expenses submitted by Goa airport for the Second Control Period significantly vary from their respective projections made at the beginning of the Second Control Period. Further it is noted that while the AERA expected Goa Airport to reduce O&M over a period of time, still the O&M expenses in the Second Control Period spiralled and has further increased in the Third Control Period (Para 4.2.2 of the Consultation Paper)). In view of the above, we would request AERA to undertake suitable independent study for efficient calculation of O&M expenses. For e.g., AERA has conducted a



study for "Operations & Maintenance of Expenses dated December 2021" in the case of Kolkata Airport, with an intent to review these expenses."

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

3.6.13. AAI has responded to FIA's comments as under:

"It is submitted that AAI has saved under. payroll and R&M, as projected in the Second Control period.

i. The actual O&M Expenses i.e. payroll expenses of AAI for the 2nd Control Period have gone down in comparison to 2nd Control Period Order thereby resulting in savings as shown below:

Particulars	Approved in SCP	Submitted for True-up	Variation
Payroll Expenditure	71.6	59.79	11.81
CHQ and RHQ Payroll exp	9.7	7.72	1.98

AAI has carried out a detailed examination of the Administration expenses & found that the Main reason for increase in Administration exp are as under:

- ii. Projection for the 2nd control was done based on existing contract @ Rs.7.15 lacs pm awarded in 2014 for 36 months and new contract was awarded on March 2017 @ Rs.30.88 lacs pm. The reasons for increase in cost is due to cost inflation and addition of new area -Admin Block, Western side Finger, paved area city side and airside.
- iii. Further the New contract has been awarded on Sept 2020 @ Rs.41.47lacs pm for 36 months based on lowest offer received through Tendering process.
- iv. The upkeep contract is awarded to the lowest bidder based on approved tendering policies.
- v. The O&M expenses are incurred by AAI are based on operational requirements. The expenses are incurred after due diligence based on the powers given to various authorities, and there are also tendering processes for awarding the O&M contracts.
- vi. AAI will undertake a study for CHQ & RHQ allocations to devise a robust methodology for uniformity and standardization of allocations.
- vii. AERA, while issuing Consultation Paper No 08/2021-22 dated 15.06.2021 in the matter of determination of Aeronautical Tariff in r/o Cochin International Airport Ltd, had undertaken a study on Study on Efficient Operation & Maintenance Expenses for Cochin International Airport Ltd (FY 2017-2021) where in AERA had stated in chapter External Benchmarking that Goa airport has the lowest O&M Expenses . per PAX and per SQM of Terminal area (Refer Para 7.2.61) comparing with Airports having similar passenger Through Put. Table of O&M Expenses per pax and per sqmtr of Terminal Area as under"

7.2.2. The various aspects related to O&M expenses based on passenger traffic compared across the select airports considered above are summarized in the table below:

Table 16: O&M expense comparison (passenger traffic wise) across select domestic airports

Airport location	Employee expense (INR) per PAX	R&M expense (INR) per PAX	Utilities expense (INR) per PAX	A&G expense (INR) per PAX	Total O&M expense (INR) per PAX
Cochin	66	21	26	56	169
Mumbai	37	23	22	77	158
Patna	49	15	5	63	132
Goa	19	7	9	11	46
Kolkata	95	33	36	17	180
Pune	51	10	9	8	78
Ahmedabad	40	26	24	24	114
Bhubaneswar	51	23	9	86	170



7.2.5. The various aspects related to O&M expenses compared across the select airports considered in this study and based on terminal area are summarized in the table below:

Table 18: O&M expense comparison (terminal area wise) across select domestic airports

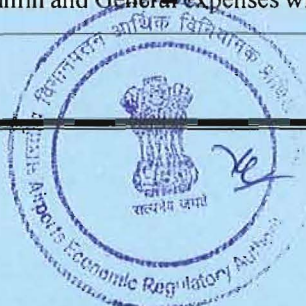
Airport location	Employee expenses (INR) per sqm	R&M expense (INR) per sqm	Utilities expense (INR) per sqm	A&G expense (INR) per sqm	Total O&M expense (INR) per sqm
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Mumbai	3660	2285	2145	7620	15715
Patna	24240	7330	2450	30755	64775
Goa	2605	930	1300	1490	6325
Kolkata	8475	2910	3180	1550	16120
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Bhubaneswar	6320	2855	1170	10675	21020

Note: The numbers in the above table have been approximated to nearest multiple of 5

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

CHQ/ RHQ – Administration and General expenses

- 3.6.14. The Authority notes the comments submitted by AAI on payroll cost, legal & arbitration expenses and cost relatedness of CHQ/RHQ expenses. The Authority had already perused the workings submitted by AAI vide email dated 17th November 2021 during the MYTP evaluation stage before issuance of Consultation Paper. The Authority had also recorded reasons in the Consultation Paper for not considering the workings and had also captured the changes made to the workings along with the rationale. (Refer para 3.6.4 of this Order).
- 3.6.15. Subsequently, on December 24, 2021, AAI submitted revised working of CHQ/RHQ. It was noted that AAI had included cost of JVC Cell at Mumbai for allocation of RHQ Expenses. The Authority has decided to not consider allocated expenses of JVC Cell, Mumbai to Goa Airport due to following reasons:
- CHQ / RHQ cost workings submitted as part of the MYTP and the later revised submissions made on 17th November 2021, did not include the JVC cost centre. This was just included on December 24, 2021, as an after-thought. Further, the costs of JVC cell had not been included as part of the MYTP submission by AAI for the First and Second Control Period for Goa International Airport.
 - The Authority notes that the cost centre nomenclature clearly is Mumbai JVC. The Authority notes that AAI has a well-defined cost centre mapping for costs incurred. Hence, the Authority is not able to find merit in the fact that the costs booked under Mumbai JVC does not pertain to it but is related to entire RHQ operations.
 - Further, the Authority understands that portion of JVC employee costs were to be paid by MIAL as per Operation, Maintenance and Development Agreement (OMDA). However, AAI has not provided facts/details of costs to be reimbursed by MIAL and the details thereof.
 - The Authority, based on the above facts does not see any merit for inclusion of such cost relating to JVC cells in the tariff determination process or to provision of aeronautical services at the respective airports. Further, these expenses do not bear any cost-relatedness to the aeronautical services provided at the respective airports.
- 3.6.16. AAI has provided certain workings as part of the stakeholder's comments. On analysis of the same, following are observed:
- AAI has submitted that the Admin and General expenses which was earlier allocated between ANS



and Airport as 50%:50%, has been considered as 30%:70% now and if the same is considered by the Authority, this reallocation would nullify the 20% allocation in gross pay and allowances considered by the Authority as towards Non-Aero / Non-Airport activities.

- The Authority notes that AAI has not provided any rationale, basis, or working to substantiate this shift in methodology done by AAI. Also, AAI had submitted its workings on November 17, 2021 after getting approval of the policy from the Competent Authority. No such approval of revised policy was intimated by AAI while submitting revised allocation during stakeholders' process.
- It appears that AAI revisits its own submissions multiple times in hindsight, to suit its requirement. It also appears that the computations are not policy based and without much forethought.
- The Authority has detailed its rationale and analysis and accordingly considered the allocation of 20% of costs towards other than aeronautical activities. The Authority is not in receipt of any further clear information in this regard that would necessitate revisiting the method adopted in the consultation stage.
- Hence, the Authority does not find merit in the request of AAI to consider 5% of costs to be allocated to non-aero activities and also does not consider any re-adjustment of allocation of Admin and General Expenses necessary than what was considered at the time of issue of Consultation Paper.

3.6.17. The Authority notes the comments raised by AAI on legal and arbitration of CHQ/RHQ expenses. The Authority as indicated in Para No.3.6.4 notes that legal charges are paid on a case-to-case basis. Passengers of one airport should not be burdened to pay for costs that are not related to that airport. AAI has also submitted that going forward, from FY 2021-22, the costs shall be accounted station wise. Hence, the Authority decides not to consider Legal / Arbitration costs on a common basis for division across airports.

3.6.18. To summarize, the Authority does not find appropriate rationale, documentation and justification for the requests made by AAI with respect to CHQ / RHQ costs.

3.6.19. The Authority notes AAI's comments on undertaking a study for CHQ & RHQ allocations. The Authority expects that AAI should determine the efficient baseline costs through a thorough study, providing a detailed framework for allocation of various operating cost into aeronautical and non-aeronautical.

Administration and General expenses (other than CHQ/ RHQ)

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. The Authority is of the view that AAI should estimate its expenses 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%).
- iii. Further, the Authority is of the opinion that the External Benchmarking report of CIAL (enclosed as part of Consultation Paper No 08/2021-22 dated June 15,2021) on O&M expenses should not be related with that of Goa International Airport, as each airport is unique in its operations and the elements of costs vary from airport to airport. Thus, the Authority has drawn inference from the said Study report and notes that CIAL being a PPP airport and Goa being a Civil Enclave Airport are not comparable to that extent of O&M expenses being undertaken for both the



airports.

3.6.21. The Authority notes the comments of FIA and the counter comments of AAI regarding efficient O&M expenses of Goa Airport.

3.6.22. The Authority also notes the comments of FIA on conducting an independent study on the efficient O&M expenses. In this regard, the Authority believes that the requirement of an independent study on O&M expenses, will depend upon the size, scale, complexity, and multiple ownerships of overall assets/ business 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 efficient O&M expenses for bigger Airports particularly PPP airports. However, considering the volume and nature of operation at Goa Airport, the Authority decided to accomplish this exercise in-house.

Further, AERA scrutinizes O&M expenses item-wise and rationalizes appropriately keeping efficiency in view. Similar exercise has been undertaken by AERA in case of O&M expenses for Goa International Airport and expenses pertaining to CHQ/ RHQ overheads, Repairs and Maintenance, Payroll, Upkeep expenses etc. have been rationalised.

3.6.23. Based on the above analysis, O&M expenses decided by the Authority for the Second Control Period has been shown in the table below:

Table 20: Aeronautical O&M expenses decided by the Authority for true up of the Second Control Period.

(₹ Crores)

S. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Pay roll expenditure	9.49	12.43	11.92	12.99	12.96	59.79
2	Expenditure for Goa International Airport employee's retirement benefits allocated at CHQ	0.25	1.73	3.37	1.15	1.23	7.72
A	Total Payroll expenditure (1+2)	9.74	14.16	15.29	14.13	14.19	67.52
3	Administrative and General Expenditure	2.86	3.19	3.52	3.85	4.29	17.71
4	Apportionment of administration & General expenditure of CHQ/RHQ	16.41	16.73	17.60	33.87	34.10*	118.71
B	Total Administration and General expenditure (3+4)	19.27	19.92	21.12	37.72	38.39	136.42
C	Repair & Maintenance Expenditure	5.47	6.81	17.34	15.46	18.58	63.66
5	Power Charges	9.86	11.77	11.90	12.36	9.68	55.57
6	Water Charges	0.57	0.59	0.57	0.52	0.44	2.69
7	Other charges	0.04	0.04	0.05	0.10	0.01	0.26
D	Utility and Outsourcing Expenditure (5+6+7)	10.47	12.41	12.53	12.98	10.12	58.51
E	Other Outflows	0.33	0.94	1.63	1.44	0.04	4.38
	Total (A+B+C+D+E)	45.28	54.24	67.91	81.73	81.32	330.48

* CHQ/ RHQ Administration and General expenses allocation for the FY 2020-21 (part of RHQ expenses) has been re-computed by excluding the Mumbai JVC expenses claimed by AAI.



3.7 True up of Return on Land

- 3.7.1. AAI had claimed the following Return on land for Goa International Airport for the First and Second Control Periods:

Table 21: Return on land claimed by Goa International Airport for the Second Control Period.

(₹ Crores)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Return on Land claimed for Second Control Period	0	0	0	0.01	0.01	0.02
Total						0.02

Authority's examination for 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 (para 4.1.8 of the said order). Hence, the Authority proposed 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. No comments were received from the Stakeholders regarding true up of the 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

- 3.7.4. The Authority notes that no comments have been received from the stakeholders on the true up of the Return on Land. The Authority decides to allow Return on Land only for the Third Control Period, if eligible and not for the earlier Control Periods, in accordance with the terms of Order No. 42/ 2018-19 dated March 5, 2019.

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

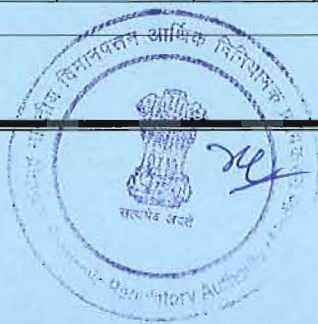
Authority's examination and proposal regarding true up of ARR at Consultation stage

- 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 which had been enumerated in the table below:

Table 22: ARR proposed by the Authority for True up of the Second Control Period at the Consultation stage

(₹ Crores)

Particulars	Formula	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Average RAB (refer Table 9)	A	268.43	296.15	319.44	356.85	403.21	
FRoR	B	14%	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	37.58	41.46	44.72	49.96	56.45	230.17
O&M expenses (refer Table 19)	(d)	45.28	54.24	67.91	81.73	82.42	331.58
Depreciation (refer Table 8)	(e)	14.02	16.07	18.73	21.75	25.34	95.91
Tax	(f)	0	0	0	0	0	0
Add: Under recovery of First Control Period	(g)	53.00	-	-	-	-	53.00
ARR	(h) = (c+ d +e +f+g)	149.88	111.77	131.36	153.44	164.21	710.66
NAR (refer Table 14)		47.47	49.76	88.54	111.25	9.20	306.22
Less 30% NAR	(i)	14.24	14.93	26.56	33.37	2.76	91.86



TRUE UP FOR THE SECOND CONTROL PERIOD

Particulars	Formula	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Net ARR	(j) = (h - i)	135.64	96.84	104.80	120.07	161.45	618.80
Actual Aeronautical Revenue	(k)	50.90	67.80	151.90	149.67	49.37	469.65
Discount Factor		1.93	1.69	1.48	1.3	1.14	
Discounted ARR	(l)	261.79	163.66	155.11	156.09	184.05	920.70
Discounted Aeronautical revenue	(m)	98.24	114.58	224.81	194.57	56.28	688.48
(Under)/ Over recovery of Second Control Period as on March 31, 2022	(m-l)	(163.55)	(49.08)	69.71	38.48	(127.77)	(232.22)
True up of Under Recovery of Second Control Period as on March 31, 2022		(232.22)					

3.8.2. The Authority noted that there was an under-recovery of ₹ 232.22 Crores in the Second Control Period and proposed to readjust the same in the ARR computation of the Third Control Period. The shortfall had arisen mainly on account of the following factors:

- Reduction in traffic due to COVID-19 pandemic in FY 2019-20 and FY 2020-21
- Reduction in Aeronautical revenues collected in FY 2019-20 and FY 2020-21 due to above factor, by approximately ₹173.56 crores as compared to Second Control Period tariff order projections
- Increase in Operation and Maintenance expenditure due to increase in CHQ/ RHQ allocation expenses by approximately ₹ 92 crores, from the estimates approved in the Tariff Order for the Second 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

3.8.4. 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 23: ARR decided by the Authority for True up of the Second Control Period.

(₹ Crores)

Particulars	Formula	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Average RAB (refer Table 12)	a	268.68	296.79	320.24	361.32	408.51	
FRoR	b	14%	14%	14%	14%	14%	
Return on Average RAB	(c) = (a) * (b)	37.62	41.55	44.83	50.59	57.19	231.78
O&M expenses (refer Table 20)	(d)	45.28	54.24	67.91	81.73	81.32	330.48
Depreciation (refer Table 11)	(e)	13.52	15.78	18.77	20.74	24.61	93.43
Tax	(f)	0	0	0	0	0	0
Add: Under recovery of First Control Period	(g)	53.00	-	-	-	-	53.00
ARR	(h) = (c+ (d+e+f+g)	149.42	111.57	131.51	153.06	163.12	708.68



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Particulars	Formula	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	d + e + f + g)						
NAR (refer Table 14)		47.47	49.76	88.54	111.25	9.20	306.22
Less 30% NAR	(i)	14.24	14.93	26.56	33.37	2.76	91.86
Net ARR	(j) = (h - i)	135.18	96.64	104.95	119.69	160.36	616.82
Actual Aeronautical Revenue	(k)	50.90	67.80	151.90	149.67	49.37	469.65
Discount Factor		1.93	1.69	1.48	1.30	1.14	
Discounted ARR	(l)	260.90	163.33	155.33	155.59	182.81	917.96
Discounted Aeronautical revenue	(m)	98.24	114.58	224.81	194.57	56.28	688.48
(Under)/ Over recovery of Second Control Period as on March 31, 2022	(m-l)	(162.66)	(48.75)	69.48	38.98	(126.53)	(229.48)
True up of Under Recovery of Second Control Period as on March 31, 2022				(229.48)			

Note: The variance between the Under recovery shown in the Tariff Order (₹ 229.48 crores) and that shown in the Consultation Paper No. 29/2021-22 dated January 27, 2022 (₹ 232.22 crores) is on account of increase in the Return on RAB by ₹1.61 crores, decrease in depreciation by ₹ 2.48 crores and decrease in O&M expenses by ₹1.10 crores. The above revision to the building blocks is on account of the change in the methodology of accounting depreciation for the year in which the asset has been capitalised (as explained in Para No. 3.4.17 and 3.4.18 of this Tariff Order).

- 3.8.5. The Authority notes that there is an under-recovery of ₹ 229.48 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 Goa International Airport:

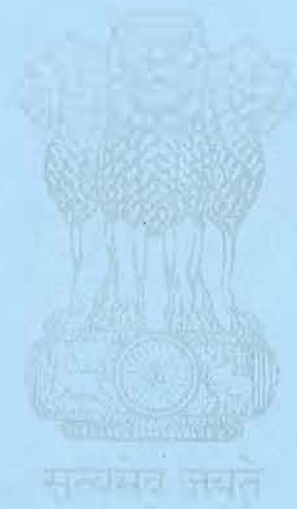
- 3.9.1. The Authority decides to consider capital additions as detailed in Table 10 for true up of the Second Control Period.
- 3.9.2. The Authority decides to consider Aeronautical depreciation as mentioned in Table 11 for true up for the Second Control Period.
- 3.9.3. The Authority decides to consider RAB as per Table 12 for true up for the Second Control Period.
- 3.9.4. The Authority decides to consider the Non-aeronautical revenues as presented in Table 14 for the purpose of true up of the Second Control Period.
- 3.9.5. The Authority decides to consider the O&M expenses as detailed in Table 20 for the purpose of true up of the Second Control Period.
- 3.9.6. The Authority decides not to allow Return on Land claimed by Goa International Airport for the First



TRUE UP FOR THE SECOND CONTROL PERIOD

and Second Control Period, in accordance with its Order 42/ 2018-19 dated March 5, 2019.

- 3.9.7. The Authority decides to consider ARR, and Shortfall as detailed in Table 23 for true up of the Second Control Period for Goa Airport and readjust the shortfall for the Third Control Period.



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4. TRAFFIC FOR THE THIRD CONTROL PERIOD

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

4.1.1. The historical passenger traffic² and ATM at the airport has been shown in the table below:

Table 24: Historical passenger and ATM traffic at Goa Airport

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2009-10	21,98,151	4,30,903	26,29,054	21,298	3,028	24,326
2010-11	25,04,150	5,75,887	30,80,037	19,988	4,030	24,018
2011-12	29,43,295	5,78,256	35,21,551	23,560	3,870	27,430
2012-13	28,86,472	6,56,325	35,42,797	22,725	4,085	26,810
2013-14	31,49,112	7,36,340	38,85,452	24,478	4,426	28,904
2014-15	39,00,091	6,13,110	45,13,201	29,117	4,305	33,422
2015-16	47,29,710	6,45,845	53,75,555	34,604	4,426	39,030
2016-17	60,51,602	8,04,760	68,56,362	42,698	5,103	47,801
2017-18	67,71,985	8,35,264	76,07,249	45,666	4,901	50,567
2018-19	76,85,581	7,81,745	84,67,326	52,401	4,545	56,946
2019-20	76,51,362	7,04,878	83,56,240	53,636	4,019	57,655
2020-21	28,50,679	39,866	28,90,545	21,785	356	22,141

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

Table 25: Traffic growth rates and traffic proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates						
2021-22	80.00%	50.00%	79.59%	75.00%	44.94%	74.52%
2022-23	5.00%	40.00%	5.40%	2.50%	35.00%	2.93%
2023-24	25.00%	80.00%	25.84%	20.00%	74.99%	20.96%
2024-25	15.00%	80.00%	16.42%	10.00%	74.98%	11.65%
2025-26	12.00%	70.00%	13.96%	9.00%	64.98%	11.22%
Traffic						
2021-22	51,31,222	59,799	51,91,021	38,124	516	38,640
2022-23	53,87,783	83,719	54,71,502	39,077	697	39,774
2023-24	67,34,729	1,50,693	68,85,423	46,893	1,219	48,112
2024-25	77,44,939	2,71,248	80,16,187	51,582	2,133	53,715
2025-26	86,74,331	4,61,122	91,35,453	56,224	3,519	59,743

² Source: Traffic News from AAI website



- 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 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 Goa 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 have been provided in the table below:

Table 26: CAGR for passenger traffic and ATM

Particulars	10-year CAGR	5-year CAGR	3-year CAGR
Passengers:			
Domestic	13.3%	14.4%	8.1%
International	5.0%	2.8%	-4.3%
Total Passenger Traffic	12.3%	13.1%	6.8%
ATM:			
Domestic	9.7%	13.0%	7.9%
International	2.9%	-1.4%	-7.7%
Total ATM	9.0%	11.5%	6.4%

- 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. There is a de-growth of 63% and 94% 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, a de-growth of 59% and 91%, respectively in domestic ATM and international ATM for FY 2020-21 (over previous financial year).
- 4.2.5. AAI assumes the traffic volume to revive in FY 2021-22 and had projected a growth of 80% in domestic passenger traffic and of 50% in international passenger traffic. Likewise, AAI had projected a growth of 75% in domestic ATM and 45% 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:

4.2.6. 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.

4.2.7. 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.

4.2.8. 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.

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 and CAPA India cited in para 4.2.6 to 4.2.8 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, the Authority noted that AAI had reduced the passenger traffic and ATM estimates for FY 2022-23 by around 20%, due to operationalization of Greenfield Airport at MoPA, Goa. The Authority considered the same to be appropriate and had also factored it in its estimation of passenger traffic and ATM.

4.2.13. The Authority noted that the international flights in many countries had not been operationalized. Considering the slow growth in international passenger traffic estimated by the Agencies (as mentioned in para 4.2.6 to 4.2.8), the Authority felt that international passenger traffic and ATM will reach to pre-Covid levels (FY 2019-20) only over a period.

The Authority was of the view that international passenger traffic and ATM at Goa International Airport, will reach to 93% of the level of FY 2019-20 by the end of the current Control Period.

4.2.14. Considering the trend in the growth of traffic data, the Authority considered the growth rate of 25% in domestic passenger traffic and of 20% in domestic ATM for the FY 2023-24, as projected by AAI in their MYTP to be appropriate.

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

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

Table 27: Traffic proposed to be considered by the Authority for the Third Control Period at the Consultation stage

Domestic Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
As submitted by Goa Airport	51.31	53.88	67.35	77.45	86.74	336.73
As proposed by the Authority	48.46	62.03	77.54	88.70	101.48	378.21
Goa Airport's submission as a % of FY 2019-20 traffic	67%	70%	88%	101%	113%	
Proposed traffic as per Authority as a % of FY 2019-20 traffic	63%	81%	101%	116%	133%	
International Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
As submitted by Goa Airport	0.60	0.84	1.51	2.71	4.61	10.27
As proposed by the Authority	0.60	1.50	2.70	4.86	6.56	16.22
Goa Airport's submission as a % of FY 2019-20 traffic	8%	12%	21%	38%	65%	
Proposed traffic as per Authority as a % of FY 2019-20 traffic	8%	21%	38%	69%	93%	
Total passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total as per Goa Airport's submission	51.91	54.72	68.85	80.16	91.35	346.99
Total (Domestic and International) proposed by the Authority	49.06	63.53	80.24	93.56	108.04	394.43



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Proposed total traffic as per Goa Airport's submission as a % of FY 2019-20 traffic	62%	65%	82%	96%	109%	
Proposed total traffic as per Authority as a % of FY 2019-20 traffic	59%	76%	96%	112%	129%	
Domestic ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Domestic ATM submitted by Goa Airport	38.12	39.08	46.89	51.58	56.22	231.89
Domestic ATM proposed by the Authority	35.95	46.01	55.21	62.39	70.50	270.06
Goa Airport's submission as a % of FY 2019-20 ATM	71%	73%	87%	96%	105%	
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	67%	86%	103%	116%	131%	
International ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
International ATM submitted by Goa Airport	0.52	0.70	1.22	2.13	3.52	8.09
International ATM proposed by the Authority	0.57	0.97	1.79	3.31	4.64	11.28
Goa Airport's submission as a % of FY 2019-20 ATM	13%	17%	30%	53%	88%	
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	14%	24%	45%	82%	115%	
Total ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total ATM (Domestic and International) as per Goa Airport's submission	38.64	39.77	48.11	53.71	59.74	239.97
Total ATM (Domestic and International) proposed by the Authority	36.51	46.98	57.00	65.70	75.14	281.33
Goa Airport's submission as a % of FY 2019-20 total ATM	67%	69%	83%	93%	104%	
Proposed total ATM as per Authority as a % of FY 2019-20 ATM	63%	81%	99%	114%	130%	

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. 29/2021-22 with respect to traffic forecasts for 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 provided a comparative analysis of its traffic forecast Vs the forecast done by AERA and the same is as follows:



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Passenger Throughput	Based on FY 2019-20 (Actual)-AAI			Based on FY 2019-20 (Actual)-AERA			Dom(%)		Intl.(%)		Total(%)	
F.Y	Dom.	Intl.	Total	Dom.	Intl.	Total	AAI	AERA	AAI	AERA	AAI	AERA
2019-20	76.51	7.05	83.56	76.51	7.05	83.56						
2020-21	28.51	0.4	28.91	28.51	0.4	28.91						
2021-22	51.31	0.6	51.91	48.46	0.6	49.06	67%	63%	67%	63%	62%	59%
2022-23	53.88	0.84	54.72	62.03	1.5	65.13	70%	81%	70%	81%	65%	76%
2023-24	67.35	1.51	68.85	77.54	2.7	80.24	88%	101%	88%	101%	82%	96%
2024-25	77.45	2.71	80.16	88.7	4.86	93.56	101%	103%	101%	103%	96%	112%
2025-26	86.74	4.61	91.35	101.5	6.56	108	113%	133%	113%	133%	109%	129%

ATM	Based on FY 2019-20 (Actual)-AAI			Based on FY 2019-20 (Actual)-AERA			Dom(%)		Intl.(%)		Total(%)	
F.Y	Dom.	Intl.	Total	Dom.	Intl.	Total	AAI	AERA	AAI	AERA	AAI	AERA
2019-20	53.64	4.02	57.66	76.51	7.05	83.56						
2020-21	21.79	0.36	22.14	28.51	0.4	28.91						
2021-22	38.12	0.52	38.64	35.95	0.57	36.51	71%	67%	13%	14%	67%	63%
2022-23	39.08	0.7	39.77	46.01	0.97	46.98	73%	86%	17%	24%	69%	81%
2023-24	46.89	1.22	48.11	55.21	1.79	57	87%	103%	30%	45%	83%	99%
2024-25	51.58	2.13	53.72	62.39	3.31	65.7	96%	116%	53%	82%	93%	114%
2025-26	56.22	3.52	59.74	70.5	4.64	75.14	105	131%	88%	15%	104%	130%

- AERA has proposed that Goa Airport will achieve pre-COVID period traffic in the F.Y 23-24 whereas AAI had proposed it would achieve in the F.Y 24-25.
- AERA has considered 5 yrs CAGR for Dom and Intl. from FY2024-25 to FY2025-26 which is also not achievable as New MoPA Greenfield Airport will be operationalize by August 2022.
- During a pandemic Covid -19 where is so much of uncertainty, CAGR may not be the right basis for growth.
- Higher projection may lead to higher projection for Aeronautical Revenue and resulting huge increase in Actual shortfall for the next Control period and attract steep hike in Tariff which is unfavorable to AAI & Other stakeholders.

The projections submitted by AAI for the F.Y. 2022-23 to 2025-26 may be considered as the pandemic has not yet ended and there is no certainty yet.

Hence, AAI requests AERA to consider AAI's traffic projection.

Other Stakeholder's comments on traffic forecasts for the Third Control Period

4.3.3. FIA has commented the following:

"While we appreciate that AERA has considered various study/reports by international bodies like ACI, IATA and CAPA India, we request AERA to conduct an independent study for traffic assessment, in accordance with the AERA Act.

Further, as AERA has an opinion that with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken by the Government of India 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. Thus, we further request AERA to consider traffic growth keeping in view the removal of all capacity restrictions by the Ministry of Civil Aviation."



4.3.4. GMR Airport has commented the following:

"Mopa Airport will be soon coming into operation and hence the Goa Air travel requirement is going to be served by two airports. Accordingly, it is paramount to assess the air traffic in Goa as a whole. It is observed that in the above referred consultation paper AAI has not provided the system traffic for Goa.

In this regard we have appointed an expert CRISIL to estimate Goa traffic as a whole. CRISIL has considered historical traffic trend, current constraint due to non-flying hours and Goa market potential. Accordingly, CRISIL has estimated following Goa system traffic for the period considered by Dabolim Airport."

(In Mn)

Particulars	2022	2023	2024	2025	2026	TOTAL
GGLAL Estimate						
Domestic	3.76	10.74	12.19	13.82	15.68	56.19
International	0.43	0.54	0.99	1.04	1.09	4.09
TOTAL	4.19	11.28	13.18	14.86	16.77	60.28

We request Authority to kindly take a note of Goa system traffic estimates while allocation of traffic between Dabolim and Mopa Airport.

4.4 AAI's responses to stakeholders' comments on traffic forecasts for the Third Control Period

4.4.1. AAI has responded to FIA's comments as under:

"AERA has proposed that Goa Airport will achieve pre-COVID period traffic in the F.Y 23-24 whereas AAI had proposed it would achieve in the F.Y 24-25. AERA has considered 5 yrs CAGR for Dom and Intl. from FY2024-25 to FY2025-26 which is also not achievable as New MoPA Greenfield Airport will be operationalize by August 2022. During a pandemic Covid -19 where is so much of uncertainty.

Higher projection may lead to higher projection for Aeronautical Revenue and resulting huge increase in Actual shortfall for the next Control period and attract steep hike in Tariff which is unfavorable to AAI & Other stakeholders.

The projections submitted by AAI for the F.Y. 2022-23 to 2025-26 may be considered as the pandemic has not yet ended and there is no certainty yet.

Further AERA may like to offer their views."

4.4.2. AAI has responded to GMR Airport's comments as under:

"While projecting Traffic Forecast, AAI had proposed to reduce the passenger traffic and ATM estimates for FY 2022-23 by around 20%, due to operationalization of Greenfield Airport at MoPA, Goa. The details are as under

(In Mn)

FY	As per AAI			As per AERA		
	Dom.	Intl.	Total	Dom.	Intl.	Total
2019-20	7.65	0.71	8.36	7.65	0.71	8.36
2020-21	2.85	0.04	2.89	2.85	0.04	2.89
2021-22	5.13	0.06	5.19	4.85	0.06	4.91
2022-23	5.39	0.08	5.47	6.20	0.15	6.35
2023-24	6.74	0.15	6.89	7.75	0.27	8.02
2024-25	7.75	0.27	8.02	8.87	0.49	9.36
2025-26	8.67	0.46	9.14	10.15	0.66	10.81

The Authority considers the same to be appropriate and has also factored it in its estimation of passenger



traffic and ATM."

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. 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. Further, the Authority is of the view that with the easing of restrictions relating to air travel and resumption of international scheduled flights w.e.f. March 28, 2022, the air traffic has started improving.

4.5.2. The Authority has examined the comments from FIA on conducting an independent study on the traffic projections in accordance with the AERA Act. The requirement for an independent study on traffic projections depends upon the size, scale and complexity of operations at the Airport.

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 tried up, based on actuals in the next Control Period

4.5.3. The Authority has reviewed the actual passenger traffic and ATM of Goa International Airport for the period April 2021 to March 2022 and has revised its estimates of passenger traffic and ATM for the FY 2021-22. The same has been presented in the table below.

4.5.4. The Authority has examined the comments raised by GMR Airports and the counter comments of AAI. The Authority agrees with AAI's comments that by considering the operationalization of the Goa International Airport, MoPA, the traffic estimates of FY 2022-23 was reduced by 20%. Further, on reviewing the system traffic submitted by GMR Airports, the Authority notes that the traffic projected by the Authority for Dabolim Airport for the period FY 2022-23 to FY 2025-26 in this Tariff Order (Table Number 28) constitutes approximately 56% to 64% of the system traffic report of CRISIL, submitted by GMR Airports. The balance may be construed as passenger traffic of MoPA airport. Further, upon commencement of the new Greenfield airport, some international traffic is bound to shift to the MoPA Goa Airport.

4.5.5. The Authority has considered the actual traffic for FY 2021-22 for Goa International Airport and the revised traffic projections decided by the Authority for the Third Control Period is as follows:

Table 28: Traffic forecasts decided by the Authority for the Third Control Period

Domestic Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AAI's submission for Goa Airport	51.31	53.88	67.35	77.45	86.74	336.73
As decided by the Authority	51.34	62.03	77.54	88.70	101.48	381.09
Goa Airport's submission as a % of FY 2019-20 traffic	67%	70%	88%	101%	113%	
Traffic as per Authority as a % of FY 2019-20 traffic	67%	81%	101%	116%	133%	
International Passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AAI's submission for Goa Airport	0.60	0.84	1.51	2.71	4.61	10.27
As decided by the Authority	1.04	1.50	2.70	4.86	6.56	16.66
Goa Airport's submission as a % of FY 2019-20 traffic	8%	12%	21%	38%	65%	



TRAFFIC FOR THE THIRD CONTROL PERIOD

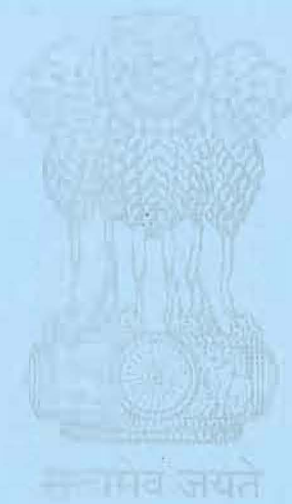
Traffic as per Authority as a % of FY 2019-20 traffic	15%	21%	38%	69%	93%	
Total passengers (in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AAI's submission for Goa Airport	51.91	54.72	68.85	80.16	91.35	346.99
Total (Domestic and International) decided by the Authority	52.38	63.53	80.24	93.56	108.04	397.75
Total traffic as per Goa Airport's submission as a % of FY 2019-20 traffic	62%	65%	82%	96%	109%	
Traffic as per Authority as a % of FY 2019-20 traffic	63%	76%	96%	112%	129%	
Domestic ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AAI's submission for Goa Airport	38.12	39.08	46.89	51.58	56.22	231.89
As decided by the Authority	39.61	46.01	55.21	62.39	70.50	273.72
Goa Airport's submission as a % of FY 2019-20 ATM	71%	73%	87%	96%	105%	
ATM traffic as per Authority as a % of FY 2019-20 ATM	74%	86%	103%	116%	131%	
International ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AAI's submission for Goa Airport	0.52	0.70	1.22	2.13	3.52	8.09
International ATM decided by the Authority	0.70	0.97	1.79	3.31	4.64	11.41
Goa Airport's submission as a % of FY 2019-20 ATM	13%	17%	30%	53%	88%	
ATM traffic as per Authority as a % of FY 2019-20 ATM	17%	24%	45%	82%	115%	
Total ATM (in '000)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total ATM (Domestic and International) as per Goa Airport's submission	38.64	39.77	48.11	53.71	59.74	239.97
Total ATM (Domestic and International) decided by the Authority	40.31	46.98	57.00	65.70	75.14	285.13
Goa Airport's submission as a % of FY 2019-20 total ATM	67%	69%	83%	93%	104%	
Total ATM as per Authority as a % of FY 2019-20 ATM	70%	81%	99%	114%	130%	



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

Based on the available facts and analysis thereupon, 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 Goa Airport as per Table 28.
- 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 tariffs for the Fourth Control Period.



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

5.1 AAI's submission of Capital Expenditure, Depreciation and Regulatory Asset Base for Goa 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 into Aeronautical and Non-aeronautical

AAI's submission of Allocation of assets for Goa International Airport for the Third Control Period

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

Table 29: 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 Aeronauti- cal Assets	% Aeronautical
						Aero	Non- Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land freehold	2.28	-	-	2.28	-	-	-	2.28	100.0%
Runway, Taxi Way & Apron	98.46	-	-	98.46	-	-	-	98.46	100.0%
Road, Bridge & Culverts.	2.00	-	0.01	1.98	-	-	-	1.98	99.3%
Terminal Building	319.33	-	0.13	40.39	278.81	257.90	20.91	298.29	93.4%
Buildings – Temporary	1.01	-	-	0.97	0.04	0.04	0.00	1.01	99.7%
Buildings – Residential	0.60	-	-	0.60	-	-	-	0.60	100.0%
Security Fencing	0.20	-	-	0.20	-	-	-	0.20	100.0%
Buildings – Others	4.35	-	2.50	1.85	-	-	-	1.85	42.6%
Computers & Peripherals	1.74	-	-	1.38	0.37	0.34	0.03	1.72	98.4%
Computer Software	0.18	-	-	0.14	0.04	0.03	0.00	0.18	98.4%
Machinery	98.09	0.91	0.01	97.16	0.01	0.01	0.00	97.17	99.1%
Tools & Equipment	27.38	-	-	27.38	-	-	-	27.38	100.0%
Office Furniture	3.30	-	-	3.30	-	-	-	3.30	100.0%
Vehicles	1.48	-	-	1.40	0.08	0.07	0.01	1.47	99.6%
Electrical Installations	29.71	0.05	0.00	29.13	0.52	0.48	0.04	29.61	99.7%
Office Equipment	1.67	-	-	1.39	0.28	0.26	0.02	1.65	98.7%
Furniture & Fixtures-Freehold- Operational Area	11.64	-	-	11.64	-	-	-	11.64	100.0%
Furniture & Fixtures – Trolleys	1.88	-	-	1.88	-	-	-	1.88	100.0%



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

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non- Aero Assets	Pure Aero- nautical Assets	Common Assets	Common Assets		Total Aeronauti- cal Assets	% Aeronautical
						Aero	Non- Aero		
X-Ray Equipment	23.68	-	-	23.68	-	-	-	23.68	100.0%
CFT & Firefighting equipment	0.05	-	-	0.05	-	-	-	0.05	100.0%
Total	629.03	0.97	2.65	345.26	280.15	259.14	21.01	604.40	96.1%

5.2 Authority's examination regarding Capital Expenditure, Depreciation and Regulatory Asset Base for Goa International Airport at Consultation Stage

Authority's examination of Allocation of Assets at Consultation stage

- 5.2.1. The Authority had examined that the common assets within the Terminal Building have been apportioned as Non-aeronautical by Goa International Airport in the Terminal Building ratio of 7.5% during the FY 2018-19 and FY 2019-20. Considering the passenger profile at the Airport, the Authority was of the opinion that the Terminal Building ratio of 7.5% (Non-aeronautical area to total area) is lesser as compared to the similar airports such as Varanasi, Amritsar, Trichy, Calicut and Raipur. Hence, the Authority proposes to consider a revised Terminal Building ratio of 8% as reasonable, in line with the optimum Non-aeronautical proportion of 8%-12% approved for similar airports while 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 not allowed Financing allowance of ₹ 14.51 Crores (₹ 9.10 Crores towards project on expansion of Apron and ₹ 5.41 Crores towards construction of New International Terminal Block (NITB)), capitalized by Goa Airport during the Second Control Period, as the allowance was not claimed by Goa 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 Goa Airport for the Second Control Period. Further, the capital expenditure was carried out by the Goa Airport using their own funds and the Authority was of the view that such an allowance is essentially the Interest During Construction (IDC) for a project and should be provided only on the debt borrowings availed for execution of a project. Accordingly, the Authority has considered IDC to be provided based on revisions in the proposed capital expenditure discussed for the Third Control Period and the notional gearing considered for the Third Control Period. Further, the above Financing allowance which had not been allowed by the Authority has been adjusted against the respective assets such as Apron, Terminal Building and Plant and Machinery and the same is provided in Table 30 below.
- 5.2.3. Based on the above observations, the Authority has presented the allocation of Gross Block of assets as on April 1, 2021 between Aeronautical and Non-aeronautical as per table below:



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

Table 30: Allocation of Opening Gross Block of Assets as on April 1, 2021 between Aeronautical and Non-aeronautical proposed by the Authority at the Consultation stage

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	% Aeronautical
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land freehold	2.28	-	-	2.28	-	-	-	2.28	100.0%
Runway, Taxi Way & Apron	89.37	-	-	89.37	-	-	-	89.37	100.0%
Road, Bridge & Culverts.	2.00	-	0.01	1.98	-	-	-	1.98	99.3%
Terminal Building	315.77	-	0.13	36.82	278.81	256.51	22.31	293.33	92.9%
Buildings – Temporary	1.01	-	-	0.96	0.04	0.04	0.00	1.00	99.7%
Buildings – Residential	0.60	-	-	0.60	-	-	-	0.60	100.0%
Security Fencing	0.20	-	-	0.20	-	-	-	0.20	100.0%
Buildings – Others	4.34	-	2.50	1.84	-	-	-	1.84	42.4%
Computers & Peripherals	1.73	-	-	1.37	0.37	0.29	0.07	1.66	95.8%
Computer Software	0.18	-	-	0.14	0.04	0.03	0.00	0.18	97.5%
Machinery	96.41	0.91	0.01	95.48	0.01	0.01	0.00	95.49	99.0%
Tools & Equipment	27.27	-	-	27.27	-	-	-	27.27	100.0%
Office Furniture	3.30	-	-	3.30	-	-	-	3.30	100.0%
Vehicles	1.48	-	-	1.40	0.08	0.07	0.01	1.47	99.4%
Electrical Installations	29.71	0.05	0.00	29.13	0.52	0.48	0.04	29.61	99.7%
Office Equipment	1.67	-	-	1.39	0.28	0.26	0.02	1.65	98.9%
Furniture & Fixtures-Freehold-Operational Area	11.61	-	-	11.61	-	-	-	11.61	100.0%
Furniture & Fixtures – Trolleys	1.88	-	-	1.88	-	-	-	1.88	100.0%
X-Ray Equipment	23.68	-	-	23.68	-	-	-	23.68	100.0%
CFT & Firefighting equipment	0.05	-	-	0.05	-	-	-	0.05	100.0%
Total	614.52	0.97	2.65	330.75	280.15	257.70	22.45	588.45	95.8%

Capital expenditure proposed for Third Control Period

AAI's submission of Capital expenditure for Goa International Airport for the Third Control Period

5.2.4. AAI had proposed capital expenditure of ₹ 263.95 Crores for the Third Control Period for Goa International Airport. The capital addition projects submitted by AAI for Goa International Airport for the Third Control Period has been divided into the following:

A. Capital Addition projects initiated in Second Control Period and being executed in Third Control Period.

B. New Capital expenditure proposed for the Third Control Period

5.2.5. The capital additions stated in A & B above have been explained project-wise in the same sequence in the table below:



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

Table 31: Project wise Capital Expenditure submitted by AAI for Goa International Airport for the 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 Capex (incl. FA)
A. Projects initiated in Second Control Period and proposed to be executed in Third Control Period					
1.	Runways, Taxiway & Aprons				
	Construction of Apron	2022-23	8.36	-	8.36
	IDC on Apron	2022-23	0.21	-	0.21
2.	Terminal Building				
	Extension of Existing TB	2022-23	79.43	-	79.43
	Modification of Existing TB	2022-23	2.98	-	2.98
	IDC on TB	2022-23	2.41	-	2.41
	Buildings- Financial Allowance	2022-23	-	0.63	0.63
3.	Electrical Installations				
	Extension of Existing TB	2022-23	52.95	-	52.95
	IDC on TB	2022-23	1.61	-	1.61
	Financing allowance (Electrical. Portion)	2022-23	-	0.42	0.42
4.	Buildings- Others				
	Beautification of City side of NITB by providing decorative tile work at Goa Airport, Goa.	2021-22	0.85	-	0.85
	Financial Allowance for beautification	2021-22	-	0.07	0.07
	Providing and fixing glazing in existing railing at Goa airport.	2021-22	3.08		3.08
	Renovation of Balance Toilets in Terminal Building at Goa Airport.	2021-22	2.43		2.43
	Modification to Flooring in NITB.	2021-22	0.97		0.97
	Provision of Roll Carpet for Ramps of Aerobridge No. 6,7,8	2021-22	1.07		1.07
	Construction of Overhead glass canopy for remote glass at Goa International Airport, Goa	2021-22	1.56		1.56
	Construction of Residential Quarters	2021-22	26.77	-	26.77
	Buildings- Financial Allowance	2021-22	-	0.13	0.13
	CISF infrastructure at Goa Airport. SH: - Construction of Bachelor Accommodation (Barracks) i/c Kote, Armory, Ammunition etc. & Dog Kennel at Goa Airport.	2021-22	15.43	-	15.43
	Construction of carpark and ancillary buildings at land PT No. 162 at Goa Airport.	2021-22	3.41	-	3.41
	Construction of hardstanding in open car parking & surrounding garbage disposal area at Goa International Airport	2021-22	0.55		0.55



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

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost (includes design, PMC, Pre-operative expenses etc)	Financing allowance (FA)	Total Capex (incl. FA)
	Financial Allowance for CISF infrastructure	2021-22	-	0.59	0.59
5.	Plant and Machinery				
	SITC OF 124 NO. ETD(Goa-4nos.)	2021-22	0.51	-	0.51
	Construction of Existing TB-S.H-airport system & IT	2022-23	35.79	-	35.79
Total Capex initiated in the Second Control Period and proposed to be executed in the Third Control Period (A)			240.37	1.84	242.21
B. New Capital expenditure proposed for the Third Control Period					
1.	Plant and Machinery				
	Procurement of SCCTV	2023-24	1.00	-	1.00
	Procurement of FIDS	2024-25	1.00	-	1.00
	Procurement of PA System	2025-26	1.00	-	1.00
2.	Electrical Installations				
	Laying of 33KV Cable from Sancoale Substation to Goa Airport.	2021-22	4.36	-	4.36
	Financing allowance	2021-22	-	0.05	0.05
	Improvement of Air-conditioning system at Domestic and International departure.	2021-22	1.65	-	1.65
	Modification of existing drinking water fountains to touchless systems at Goa Airport.	2021-22	0.06	-	0.06
	Construction of Car Parking and ancillary building at Land PT No.162	2021-22	3.41	-	3.41
	Provision of UVGI in existing AHU's for air quality improvement at NITB, Goa Airport.	2021-22	0.32	-	0.32
	Provision of Inflatable Mobile lighting tower with DG set at Goa Airport.	2021-22	0.06	-	0.06
	Provision of Security equipment with Civil works at Goa Airport.	2021-22	1.00	-	1.00
	Procurement of Portable fire extinguisher at Goa Airport	2021-22	0.13	-	0.13
	Provision of fire fighting system for Electrical / CNS installation at Goa Airport. SH Provision of clean gas based fire extinguishers & surge diverters.	2021-22	0.51	-	0.51
3.	Furniture and Fixtures Operational Area				
	Procurement of 01-R/W sweeping Machine & 250 Chairs.	2022-23	3.60	-	3.60
	ATM Furniture - Procurement of 250 Trolleys (with Brake)	2023-24	0.58	-	0.58
4.	X-RAY				
	Procurement of X-Bis	2023-24	3.00	-	3.00
New Capital expenditure proposed for the Third Control Period (B)			21.68	0.05	21.73
GRAND TOTAL (A+B)			262.06	1.89	263.95



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

5.2.6. While analysing the MYTP regarding capitalization of Aeronautical Expenditure for the Third Control Period, the Authority has taken into consideration the reduced traffic due to COVID-19 pandemic and has appropriately rationalized the proposed capex as given in the following paragraphs.

5.2.7. The following table summarises the capital expenditure in respect of projects

- A. Initiated in the Second Control Period and being executed in Third Control Period – The Authority noted that these capital projects were not approved by AERA in the Second Control period. However, AAI had started implementing these projects in the Second Control Period.
- B. New Capital expenditure proposed for the Third Control Period.

Table 32: Summary of Capital Expenditure projects submitted by AAI for Goa International Airport for the Third Control Period

(₹ Crores)

Reference	Project/Group	No.	Particulars	Capex proposed by AAI for Goa International Airport
A	Capital Addition projects initiated in Second Control Period and being executed in Third Control Period	A1	Runways, Taxiway & Aprons	8.57
		A2	Extension and modification of existing Terminal Building	84.82
		A3	Electrical installations on extension of Terminal Building	54.56
		A4	Building others – Construction of Residential quarters	26.77
		A5	Building others – Construction of CISF barracks	15.43
		A6	Building others – Construction of car park and ancillary buildings at land PT No. 162 at Goa Airport.	3.41
		A7	Building others – other minor civil works	10.51
		A8	Plant and Machinery – related to Extension of Terminal Building	36.30
		A	Capex projects initiated in the Second Control Period and being executed in the Third Control Period	240.37
	Financing allowance (FA)			1.84
	Total A (including FA)			242.21
B	New Capital expenditure proposed for the Third Control Period	B1	Plant and Machinery	3.00
		B2	Electrical Installations	11.50
		B3	Furniture and Fixtures Operational Area	4.18
		B4	X-Ray	3.00



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Reference	Project/ Group	No.	Particulars	Capex proposed by AAI for Goa International Airport
		B	New Capital expenditure proposed for the Third Control Period	21.68
	Financing allowance (FA)			0.05
	Total B (including FA)			21.74
	Grand Total (A+B)			263.95

5.2.8. The Authority reviewed the process of Administrative Approval and Expenditure Sanction (AAES)/ Work orders initiated by AAI and also witnessed the physical progress of the said assets during its visit conducted through its independent consultant. The Capital Expenditure projected for the Third Control Period includes projects that were initiated in the Second Control Period and being executed during the Third Control Period and some new projects proposed for the Third Control Period. The same have been explained below:

5.2.8.1 Projects initiated during Second Control Period and executed in the Third Control Period

A1: Runway, Taxiway and Apron: The Authority noted that the capital expenditure (including Interest During Construction) relating to Apron amounting to ₹ 8.57 Crores had been capitalized in the Second Control Period and the same had been inadvertently included in the capex projections for the Third Control Period. The Authority proposes to exclude the above capital expenditure relating to Apron from the RAB for the Third Control period.

A2: Extension and modification of existing Terminal Building: The Terminal Building currently has the capacity to handle 7.65 MPPA. However, in FY 2018-19 and FY 2019-20, the actual passenger traffic was in the range of 8.46 MPPA and 8.35 MPPA respectively, which were higher than the Terminal Building capacity. To cater the requirement of robust traffic growth at Goa airport (which is expected to reach 10 MPPA by end of the Control Period), AAI had proposed to extend the existing Terminal Building (vide work order AAI/Engg. (C)/Goa/ TB-Extn/2019-20/78 dated December 3, 2019). The capacity of the Terminal Building after the above extension is expected to reach to 9.65 MPPA. The Authority reviewed the AUCC meeting conducted by AAI for Goa Airport on March 28, 2017, with respect to the above project on extension of Terminal Building. The Authority also reviewed the physical progress of the extension of the Terminal Building during its visit to the Airport through its independent consultant and noted that only 14% of the construction work has happened. It was noted that the project was under slow progress due to COVID-19 pandemic and the monsoon season. Further, it was noted that the Environmental clearance for this project was obtained only in May 2021. AAI had projected the completion of this project by FY 2022-23. However, considering the slow progress of the execution of work, the Authority proposes to consider completion of this project by FY 2024-25 and shift the capitalization of the cost of extension of Terminal Building (including IDC) to FY 2024-25. Further, the Authority noted that the total capital expenditure pertaining to Terminal Building has been allocated to Aeronautical services in the ratio of 92.5%:7.5 % which the authority proposes to revise and allocate in the ratio of Terminal Building i.e., 92%:8% in order to be in line with similar airports.

A3: Electrical installations on extension of Terminal Building: These include electrical fittings and other electrical installations that are proposed to be undertaken alongside the completion of civil work pertaining to the extension of the existing Terminal Building of Goa Airport. Considering



the current progress of the civil work on extension of Terminal Building, the Authority considers shifting the above capital expenditure (including IDC) to FY 2024-25. Further, the Authority noted that the above capital expenditure on Electrical Installations has been allocated to Aeronautical services in the ratio of 92.5%:7.5 % which the authority proposes to revise and allocate in the ratio of Terminal Building i.e., 92%:8% in order to be in line with similar airports.

A4: Building Others - Construction of Residential quarters: This includes ₹ 26.77 Crores incurred towards construction of Residential Quarters, which was completed on July 31, 2018. However, due to certain policy changes by the Government of Goa, there was delay in the grant of Panchayat license, which was issued on July 29, 2020. After the receipt of the above license, AAI was in the process of securing MPDA permission (which was obtained on September 16, 2021). AAI has stated that completion certificate from MPDA and Occupation certificate from Chicalim Panchayat is awaited, after which the asset is expected to be put to use in March 2022. However, the Authority proposes to consider capitalizing the Residential quarters in FY 2022-23, after the asset is put to use in March 2022.

A5: Building others – Construction of CISF barracks: The Authority examined the progress of construction of CISF barracks and observed delays in the commencement and execution of this project. Administrative approval (AAES) for this project was obtained in December 2013 and the contract was awarded in December 2015. Further, the consent to execute the work as per the terms of the agreement was obtained from the contractor only in September 2018 and mobilization advance was provided in January 2019. The construction work, which had commenced in January 2019, was suspended due to COVID-19 pandemic and again resumed in 2021. The Authority noted that as on the date of its review, only 40% of the work has been completed. Further, during a recent physical visit to the Airport through its independent consultant, the Authority noted that the work had been suspended due to the monsoon season. Further, it was noted that there is deep valley quite close to the CISF barrack accommodation and a retaining wall is needed for the safety of the above barrack accommodation. Considering the above delays in the issuance of contract, commencement of work and the continued slow progress in the execution of the project, the Authority proposes to shift the capital expenditure pertaining to this project (which is projected for ₹ 15.43 crores) to the next Control Period.

A6: Building others – Construction of car park and ancillary buildings at land PT No. 162 at Goa Airport: The Authority examined the physical progress of the above construction of car park and ancillary buildings during its visit to the Airport through its independent consultant and noted that the same is 71% complete. AAI has considered the above asset as 100% Aeronautical. However, the Authority noted that the above car park is constructed outside the Terminal Building and should be treated as 100% Non-aeronautical asset. Hence, the Authority proposes to consider the capital expenditure on the construction of car park and ancillary buildings as 100% Non-aeronautical and exclude the same from RAB.

A7: Building others – other minor civil works:

- a. The Authority noted that the other civil works pertaining to beautification of city side of NITB, fixing glazing in existing railing at Goa Airport, Renovation of toilets, modification to flooring at NITB, provision of Roll Carpet for Ramps of Aerobridges, Construction of Overhead glass canopy for remote glass at the Goa Airport have been completed and the assets have been capitalized by AAI in the FY 2021-22. The Authority is in agreement with the same.
- b. The Authority noted that AAI has revised the timelines for completion of civil work pertaining to Construction of hard standing in open car parking & surrounding garbage disposal area at



the Airport from FY 2021-22 to FY 2022-23.

A8: Plant and Machinery: This comprises of capital expenditure projected towards Airport and IT system works for the extended Terminal building. The Authority is of the view that the above Airport and IT systems will be installed only after completion of the civil and electrical works. Considering the current progress of the extension of Terminal Building (as mentioned in A2 above, where the capitalization has been shifted by the Authority to FY 2024-25), the Authority considers shifting the above capital expenditure on Airport and IT systems to the FY 2025-26.

5.2.8.2 Capital expenditure newly proposed for the Third Control Period

The Authority noted that some items of Plant and Machinery, Electrical installations and Furniture and fixtures have been newly proposed for the Third Control Period such as

B1: Plant and Machinery – which includes Procurement of SCCTV, FIDS and Passenger Announcement (PA) system. As these assets are needed for operational requirements, the Authority considers the same to be reasonable.

B2: Electrical installations – these include

- a. Laying of 33KV Cable from Sancoale Substation to Goa Airport.
- b. Electrical works relating to Construction of Car Parking and ancillary building at Land PT No.162
- c. Improvement of Air-conditioning system at Domestic and International departure.
- d. Modification of existing drinking water fountains to touchless systems at Goa Airport.
- e. Provision of UVGI in existing AHU's for air quality improvement at NITB, Goa Airport.
- f. Provision of Inflatable Mobile lighting tower with DG set at Goa Airport.
- g. Provision of Security equipment with Civil works at Goa Airport.
- h. Procurement of Portable fire extinguisher at Goa Airport
- i. Provision of fire-fighting system for Electrical / CNS installation at Goa Airport. SH Provision of clean gas-based fire extinguishers & surge diverters.

The Authority noted that the works on electrical installations mentioned under point (c) to (i) have been completed at Goa Airport. The work stated under point (a), is scheduled to be completed by FY 2022-23.

The Authority noted that the total costs of construction of carpark and ancillary buildings at land PT No. 162 (amounting to ₹ 3.41 crores) at Goa Airport have been included under Building others (as detailed under para A7 above) and also under Electrical installations, resulting in duplication of projection of total project costs. The Authority has corrected the above error in its computation of capitalisation of total costs of construction of carpark and ancillary buildings at land PT No. 162

B3: Furniture and Fixtures – includes:

- a. Procurement of 01-R/W sweeping Machine & 250 Chairs.
- b. Procurement of 250 Trolleys (with Brake)

The Authority has reviewed the above projections done by AAI and is of the view that considering the slowdown in the growth of passenger traffic, the projected cost of above furniture and fixtures



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may be revisited by AAI. Accordingly, the Authority proposes to consider only 50% of the above projected cost of furniture and fixtures.

B4: X-Ray – this includes procurement of X-Bis.

The Authority noted that the above Capex on X-Ray equipment have been projected to meet the operational requirements at the Airport, with the extension of Terminal Building and the Authority considers the same to be reasonable.

- 5.2.9. Based on Authority's review of the progress of work (civil and electrical), AAI had revised the timelines for completion of the following works which were earlier projected to be completed by FY 2021-22 to FY 2022-23.

Table 33: Timelines revised by AAI for certain Capital Expenditure projects for the Third Control Period

S. No	Project Name	Original timeline for completion of work	Revised timeline	Amount (₹ crores)
1	Construction of hardstanding in open car parking & surrounding garbage disposal area at Goa International Airport	FY 21-22	FY 22-23	0.55
2	Laying of 33KV Cable from Sancoale Substation to Goa Airport.	FY 21-22	FY 22-23	4.36

The Authority noted that the other civil and electrical works mentioned under para 5.2.8.1 (A7) and 5.2.8.2 (B2) which were projected by AAI to be completed by FY 2021-22, have been completed as on the date of its review.

- 5.2.10. The Authority noted that Goa International Airport has claimed Financing allowance of ₹ 1.89 Crores out of which ₹ 0.69 Crores incurred towards project on Extension and Modification of Terminal Building, ₹ 0.73 Crores towards construction of car park and residential quarters and ₹ 0.47 Crores towards laying of electrical cable in the MYTP submitted for the Third Control Period. The Authority proposes not to allow the above Financing allowance which is computed on the above capital expenditure projects that are proposed to be carried out using own funds/ equity.
- 5.2.11. The Authority proposes to reduce 1% of the project cost from the ARR in case any particular capital project is not completed/capitalised as per the approved capitalisation schedule. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalisation schedule, 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 Fourth Control Period.
- 5.2.12. In accordance with above, the Authority proposes the capital expenditure for the Third Control Period as per the table below:



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Table 34: Capital Expenditure (Project-wise) proposed by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AAI	Proposed by Authority			
A.	A1	Capital Addition projects initiated in Second Control Period and being executed in Third Control Period	Runways, Taxiway & Aprons	2022-23	-	8.57	-	(8.57)
	A2		Extension and Modification of Existing Terminal Building	2022-23	2024-25	82.41	81.97	(0.44)
			IDC*			2.41	8.34	5.93
	A3		Electrical Installations on Extension of Existing Terminal Building	2022-23	2024-25	52.95	52.66	(0.29)
			IDC*			1.61	5.56	3.95
	A4.		Building others – Construction of Residential quarters	2021-22	2022-23	26.77	26.77	-
	A5		CISF infrastructure at Goa Airport. Construction of Bachelor Accommodation (Barracks) i/c Kote, Armory, Ammunition etc. & Dog Kennel at Goa Airport.	2021-22	-	15.43	-	(15.43)
	A6		Construction of carpark and ancillary buildings at land PT No. 162 at Goa Airport.	2021-22	2021-22	3.41	-	(3.41)
	A7		Building others - Other civil works					
			Beautification of City side of NITB by providing decorative tile work at Goa Airport, Goa.	2021-22	2021-22	0.85	0.85	-



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Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AAI	Proposed by Authority			
			Providing and fixing glazing in existing railing at Goa airport.	2021-22	2021-22	3.08	3.08	-
			Renovation of Balance Toilets in Terminal Building at Goa Airport.	2021-22	2021-22	2.43	2.43	-
			Modification to Flooring in NITB.	2021-22	2021-22	0.97	0.97	-
			Provision of Roll Carpet for Ramps of Aerobridge No. 6,7,8	2021-22	2021-22	1.07	1.07	-
			Construction of Overhead glass canopy for remote glass at Goa International Airport, Goa	2021-22	2021-22	1.56	1.56	-
			Construction of hard standing in open car parking & surrounding garbage disposal area at Goa International Airport	2021-22	2022-23	0.55	0.55	-
	A8		Plant and Machinery – related to Extension of Terminal Building					
			SITC OF 124 NO. ETD(Goa-4nos.)	2021-22	2021-22	0.51	0.51	-
			Construction of Existing TB-Airport & IT system	2022-23	2025-26	35.79	35.79	-
			Total (A)			240.37	222.11	(18.26)
B.	B1.	New Capital expenditure proposed for the Third Control Period	Plant and Machinery					
			Procurement of SCCTV	2023-24	2023-24	1.00	1.00	-
			Procurement of FIDS	2024-25	2024-25	1.00	1.00	-
			Procurement of PA System	2025-26	2025-26	1.00	1.00	-
	B2.		Electrical Installations					



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Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AAI	Proposed by Authority			
			Laying of 33KV Cable from Sancoale Substation to Goa Airport.	2021-22	2022-23	4.36	4.36	-
			Construction of Car Parking and ancillary building at Land PT No.162	2021-22	2021-22	3.41	-	(3.41)
			Improvement of Air-conditioning system at Domestic and International departure.	2021-22	2021-22	1.65	1.65	-
			Modification of existing drinking water fountains to touchless systems at Goa Airport.	2021-22	2021-22	0.06	0.06	-
			Provision of UVGI in existing AHU's for air quality improvement at NITB, Goa Airport.	2021-22	2021-22	0.32	0.32	-
			Provision of Inflatable Mobile lighting tower with DG set at Goa Airport.	2021-22	2021-22	0.06	0.06	-
			Provision of Security equipment with Civil works at Goa Airport.	2021-22	2021-22	1.00	1.00	-
			Procurement of Portable fire extinguisher at Goa Airport	2021-22	2021-22	0.13	0.13	-
			Provision of fire-fighting system for Electrical / CNS installation at Goa Airport. SH Provision of clean gas-based	2021-22	2021-22	0.51	0.51	-



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Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Proposed by the Authority (2)	Difference (3) = (2)-(1)	
				Submitted by AAI	Proposed by Authority				
			fire extinguishers & surge diverters.						
	B3.		Furniture and Fixtures Operational Area						
			Procurement of 01-R/W sweeping Machine & 250 Chairs.	2022-23	2022-23	3.60	1.80	(1.80)	
			ATM FURNITURE Procurement of 250 Trolleys (with Brake)	2023-24	2023-24	0.59	0.30	(0.29)	
	B4.		X-RAY						
			Procurement of X-Bis	2023-24	2023-24	3.00	3.00	-	
	Total (B)					21.69	16.19	(5.50)	
	Total (A+B)					262.06	238.30	(23.76)	
	Financing Allowance					1.89	-	(1.89)	
	Grand Total					263.95	238.30	(25.65)	
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	
14.21	33.48					4.29	149.53	36.79	

* IDC incurred up to the financial year of capitalisation of the asset has been included.

The Authority proposes to consider capitalisation of Aeronautical expenditure for Goa Airport for the Third Control Period as ₹ 238.30 Crores.

Depreciation for the Third Control Period

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

- 5.2.13. Goa International Airport follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Third Control Period for Goa International Airport, AAI has taken cognizance 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 Goa International Airport from FY 2018-19 onwards.
- 5.2.14. Depreciation had been computed separately on opening block of assets and on the proposed additions.
- 5.2.15. The depreciation amount proposed by Goa International Airport for the Third Control Period has been



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presented in the table below.

Table 35: Depreciation proposed by AAI for Goa 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
Land	-	-	-	-	-	-
Runways/Taxiway	0.44	0.44	0.44	0.44	0.44	2.22
Apron	2.55	2.69	2.83	2.83	2.83	13.74
Roads Bridges & Culverts	0.14	0.13	0.09	0.03	0.03	0.41
Terminal Buildings	9.79	11.38	12.80	12.78	12.78	59.54
Temporary Building	3.61	6.94	6.94	2.62	-	20.12
Residential Building	0.45	0.90	0.90	0.90	0.90	4.05
Temporary Boundary Wall	-	-	-	-	-	-
Boundary Wall (Operational)	-	-	-	-	-	-
Boundary Wall (Res.)	-	-	-	-	-	-
Other Buildings	0.06	0.06	0.06	0.06	0.06	0.31
Computers & I.T. Hardware	0.08	-	-	-	-	0.08
Intangible Assets- Computer Software	0.03	0.03	0.02	0.00	-	0.07
Plant & Machinery	6.31	7.42	8.63	8.68	8.75	39.79
Tools & Equipment	1.78	1.78	1.78	1.78	1.78	8.88
Furniture-Office	0.32	0.00	-	-	-	0.32
Vehicles	0.09	0.09	0.09	0.09	0.09	0.43
Cars/Jeeps	-	-	-	-	-	-
Elect. Installations	2.39	5.60	7.97	6.72	6.65	29.33
Office Eqpt. & Appliances	0.20	-	-	-	-	0.20
F&F- Operational Area	1.30	1.56	1.82	1.82	1.82	8.31
ATM Furniture-Trolley	-	-	0.58	-	-	0.58
X-Ray Baggage Sys.	1.25	1.22	1.30	1.39	1.39	6.54
CFT & Fire Fighting Equip.	0.00	0.00	0.00	0.00	0.00	0.01
TOTAL	30.80	40.24	46.25	40.14	37.52	194.94

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

- 5.2.16. The Authority had noted the submission of two different rates of depreciation by Goa International Airport for different periods under consideration (Second and Third Control Period) and has duly examined these for consideration towards determination of Aeronautical tariff.
- 5.2.17. The Authority observed that the depreciation rates used by Goa International Airport for the Third Control Period are in line with the rates as per the Order No. 35/2017-18 dated January 12, 2018, and Amendment No. 01 to Order No. 35. Therefore, the Authority had not proposed any change in the depreciation schedule.
- 5.2.18. 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



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Period.

Table 36: Depreciation proposed by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land	0.00	0.00	0.00	0.00	0.00	0.00
Runways/Taxiway	0.44	0.44	0.44	0.44	0.44	2.22
Apron	2.25	2.25	2.25	2.25	2.25	11.23
Roads Bridges & Culverts	0.14	0.13	0.09	0.03	0.03	0.41
Terminal Buildings	9.63	9.80	9.80	11.28	12.79	53.29
Temporary Building	0.28	0.38	0.47	0.00	0.00	1.13
Residential Building	0.00	0.45	0.90	0.90	0.90	3.14
Temporary Boundary Wall	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Operational)	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Residential)	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings	0.06	0.06	0.06	0.06	0.06	0.31
Computers & I.T. Hardware	0.08	0.00	0.00	0.00	0.00	0.08
Intangible Assets- Computer Software	0.03	0.03	0.02	0.00	0.00	0.07
Plant & Machinery	6.20	6.11	6.13	6.18	7.45	32.07
Tools & Equipment	1.77	1.77	1.77	1.77	1.77	8.84
Furniture-Office	0.32	0.00	0.00	0.00	0.00	0.32
Vehicles	0.09	0.09	0.09	0.09	0.09	0.43
Cars/Jeeps	0.00	0.00	0.00	0.00	0.00	0.00
Elect. Installations	2.00	2.28	2.12	3.79	6.63	16.83
Office Equipment & Appliances	0.20	0.00	0.00	0.00	0.00	0.20
F&F- Operational Area	1.30	1.43	1.56	1.56	1.56	7.39
ATM Furniture-Trolley	0.13	0.00	0.05	0.10	0.10	0.37
X-Ray Baggage System	1.25	1.22	1.30	1.39	1.39	6.54
CFT & Fire Fighting Equipment	0.00	0.00	0.00	0.00	0.00	0.01
TOTAL	26.17	26.43	27.03	29.82	35.43	144.89

The Authority proposed to consider depreciation for Goa Airport for the Third Control Period as ₹ 144.89 Crores.

Regulatory Asset Base (RAB) for the Third Control Period

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

5.2.19. AAI has submitted RAB for Goa International Airport for the Third Control Period as follows:



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Table 37: RAB submitted by AAI for Goa 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
Opening RAB	426.27	464.46	612.61	570.94	531.80	
Additions	68.99	188.39	4.58	1.00	1.00	263.95
Disposal/Transfers	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	30.80	40.24	46.25	40.14	37.52	194.94
Closing RAB	464.46	612.61	570.94	531.80	495.28	
Average RAB	445.36	538.53	591.78	551.37	513.54	

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

- 5.2.20. The Authority proposed to adopt the capitalisation of Aeronautical Expenditure in accordance with Table 34 and the depreciation amounts in accordance with Table 36.
- 5.2.21. 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 38: RAB proposed to be considered by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB (1) (refer Table 9)	413.17	401.21	408.26	385.52	505.23	
Additions (2) (Refer Table 34)	14.21	33.48	4.29	149.53	36.79	238.30
Disposal/Transfers (3)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (4) (refer Table 36)	26.17	26.43	27.03	29.82	35.43	144.89
Closing RAB (5) = [(1) + (2) - (3) - (4)]	401.21	408.26	385.52	505.23	506.59	
Average RAB = [(1) + (5)]/2	407.19	404.74	396.89	445.38	505.91	

The Authority proposed to consider Average RAB for the Goa Airport for the Third Control Period as detailed in Table 38.

5.3 Stakeholders' comments on Capital Expenditure, Regulatory Asset Base and Depreciation 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. 29/2021-22 with respect to Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period. The comments by stakeholders are presented below:



AAI's comments on Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period**Allocation of Assets in to Aeronautical and Non-aeronautical**

5.3.2. AAI has submitted the following:

- AAI has bifurcated the Assets into Aeronautical and Non-Aeronautical based on the approved TBLR i.e. 92.5% in the Tariff Order.
- Although Goa airport is currently the 9th busiest airport in India and being Civil Enclave (Table Top), there is shortage of land. The Terminal Building passenger handling capacity is 7.65 MPPA however the Airport handled 8.35 MP during FY2019-20 (Pre-covid). As the terminal Building is already saturated and there is not enough space providing more space for commercial activity inside the Terminal Building.

Hence, we request AERA to consider TBLR 92.5% as approved in tariff order by AERA.

Capital Expenditure for the Third Control Period

5.3.1. AAI has commented the following:

5.3.1.1 Extension and modification of existing Terminal Building

- AAI has commented the following regarding the project on extension and modification of existing Terminal Building:

Name of the Project	Total Cost (Rs.in Cr.)	As per AAI (Rs.in Cr.) Aero cost	As per AERA (Rs.in Cr.) Aero cost
<u>1. Extension of Existing TB</u>			
a. Civil work	85.87	79.43 (Aero-92.5%) PDC22-23	79 (Aero-92%) PDC24-25
b. Electrical work	57.24	2.98 (Aero-92.5%) PDC22-23	2.97 (Aero-92%) PDC24-25
c. Airport system & IT	35.79	35.79 (Aero-100%) PDC 22-23	35.79 (Aero-100%) PDC24-25
d. Modification of Existing TB.	3.23	2.98 (Aero-92.5%) PDC 22-23	2.97 (Aero-92%) PDC24-25
e. IDC on TB (Aero Only)		4.21 (Aero-92.5%) PDC 22-23	13.9 (Aero-92%) PDC PDC 24-25
Total Extension of Existing TB	182.13	121.18	120.73

- AAI has proposed PDC 2022-23 (March 23) however AERA has proposed to shift the PDC from FY 2022-23 to FY 2024-25.
- The work has been awarded on 03.12.2019. Environmental Clearance was received from MoEF on 25.05.2021. Accordingly, extension work has started on 07.06.2021. The work is delayed basically due to delay in issuance of Environmental Clearance by MoEF, COVID pandemic and extended rain. At present the work is in full swing and presently progress is 17%. Scheduled Date of Completion is 31.03.2023.
- 92.5% of cost has been considered as approved by AERA vide Goa Tariff Order for 2nd CP against the Actual-92.5 (4832.57 SQM (7.41%) out of 65231 SQM). Hence AERA is requested to consider as



proposed by AAI.

AERA is requested to consider the PDC and TB Ratio as given by AAI and accordingly IDC and Financing allowance may be calculated.

5.3.1.2 Construction of CISF barracks

- The work is delayed due to COVID pandemic and heavy rains, as the big nullah is passing just behind the structure causing delay in retaining wall construction. Since rainy season is over the work is taken up in full swing to complete the project in scheduled time. The present progress of the work is 41% and PDC is 30.09.2022 (FY22-23).*

AERA is requested to consider the cost of construction of CISF barracks in RAB.

5.3.1.3 Furniture & Fixtures

- AAI makes bulk order of Item considering the Operational requirement for 4 to 5 years based on the prescribed tendering procedure which is more economical than making repeated purchases.*

Hence, AERA is requested to consider 100% cost.

5.3.1.4 Financing Allowance

- We request AERA to refer para-2.1 to the detailed explanations provided in comments to the Second Control Period True up for consideration of FA in TCP also.*

5.3.1.5 One (1%) readjustment to the RAB if project is not completed

AAI submits to take on case to case basis as due to pandemic/other genuine reasons beyond the control of AAI, work delay is unpredictable. AAI would always endeavor to ensure that the work is completed in time.

Other Stakeholder's comments on Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period

Allocation of Assets in to Aeronautical and Non-aeronautical

5.3.2 FIA has commented the following:

"AERA has proposed a Terminal Building ratio of 8%, and mentions that this is in line with the optimum Non-aeronautical ratio of 8% - 12% as per IATA and IMG norms.

However, AERA has approved 10% in case for similar airports (for eg. Pune Airport) while apportioning the common assets within the Terminal Building, leading towards TBLR of 90:10.

In view of the above, we would request AERA to conduct an independent study on the allocation of assets including Terminal building ratio (Aeronautical & Non-Aeronautical) before issuing the order for the Third Control Period."

Capital expenditure for the Third Control Period

5.3.3 FIA has commented the following:

"Goa Airport has deferred certain capital expenditure from the Second Control Period to the Third Control Period.

- In this regard, we recommend that an adjustment of 1% or higher of the project cost from the ARR, as deemed fit, is made by AERA for capital expenditure projects is/are not completed/capitalized as per the approved capitalization schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Third*



Control Period.

- Goa Airport has proposed capex in the respective control period and postponed it to the next control period. AERA has acknowledged the effect of the pandemic in the Second Control Period on certain capital expenditure projects. It is pertinent to note that AERA has observed in other consultation papers that a delay in the capitalization of works would unfairly burden the airport users without passing on the benefits to them. As mentioned above it will take around two (2) -three (3) years for the flight operations to reach to its pre COVID-19 peak levels.
- In view of the above, in order to support the airlines to continue and sustain its operations, all non-essential capital expenditure proposed by Goa Airport be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective. Further, in case Goa 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. Similarly, if any proposed Capex projects can be deferred from the Third Control Period to the Fourth Control Period, the same should be considered by the AERA.
- Moreover, as discussed in the Stakeholder meeting conducted on 15th February 2022, we request AERA to ensure that the extension of Terminal building & related works are being done in compliance with the normative norms/approach as per the Order No.07/2016-17.
- Further, we request AERA to conduct an independent study for efficient capital expenditure in the Third Control Period in accordance with the AERA Act, 2008."

Depreciation for the Third Control Period**5.3.4 FIA has commented the following:**

"While we acknowledge that the depreciation rate applied by AERA is in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', we request that it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years. We submit that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA. AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem."

5.4 AAI's response to stakeholders' comments on Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period**Allocation of Assets in to Aeronautical and Non-aeronautical****5.4.1. AAI has responded to FIA's comments as under:**

"Although Goa airport is currently the 9th busiest airport in India and being Civil Enclave (Table Top), there is shortage of land. The Terminal Building passenger handling capacity is 7.65 MPPA however the Airport handled 8.35 MP during FY2019-20 (Pre-covid). As the terminal Building is already saturated and there is not enough space providing more space for commercial activity inside the Terminal Building.

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 TCP may not be justified. AERA had approved Non-Aero ratio 7.5% as against the 7.41% actual utilization for Non-Aero Activities in 2nd control period order.



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Hence, we request AERA to consider TBLR 92.5% as approved in tariff order by AERA. "

Capital expenditure for the Third Control Period

5.4.2. AAI has responded to FIA's comments as under:

"AERA had sought various details/justifications on the unplanned capital expenditure during MYTP process which were submitted by AAI.

It is submitted that these are legitimate capex expenditure 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".

AAI submits to consider capex on case to case basis as due to pandemic/other genuine reasons which were beyond the control of AAI, work delay is unpredictable. AAI would always endeavor to ensure that the work is completed in time. Hence it is requested not to make adjustment of 1% or higher of the project cost from the ARR.

Regarding normative cost, it is submitted that Goa Airport had proposed major work of expansion of Existing Terminal Building with PDC- March 2023(FY2022-23) of Rs.182.13 cr. (Aero cost of Rs.121.18 Cr.) and the normative cost in compliance with the normative norms/approach as per the Order No.07/2016-17 had already shared to AERA along with the proposal. The details are as under:

(in Lacs)

S. No.	Description	Extn. T. Building	Existing TB	Total Cost
	Area (in SQM)	18300	62000	
1	CIVIL & Elect	12458.46		12458.46
2	Modification of TB (Existing)		300.00	300.00
3	Pavement work			0.00
4	PMC @ 4.28%	669.23		669.23
5	Airport system	3227.45		3227.45
6	IT System	100.00		100.00
	Total	13127.69	3327.45	16755.14
7	5% for Operational area hindrance (Apron)			0.00
8	1% labour cess	0.00	33.27	33.27
	Total	13127.69	3360.72	16788.41
9	Contingency @ 3%	393.83	100.82	503.65
	Total	13521.52	3461.55	17292.07
9	Escalation @ 6.5%	878.90	225.00	1123.98
	Total	14400.42	3686.55	18416.05
	Total cost	18086.97		
	cost per Sqm (cost/area)*lacs	98835.88		

Regarding an independent study for efficient capital expenditure, AERA may like to offer their views.



Depreciation for the Third Control Period

5.4.3. AAI has responded to FIA's comments as under:

"Depreciation rates used for the 2nd & 3rd Control period are in line with the rates as per AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets.'"

5.5 Authority's analysis on Stakeholders' comments regarding Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period**Allocation of Assets into Aeronautical and Non-aeronautical**

- 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 the IMG recommendations and IATA norms, in order to expand non-aeronautical operations at Goa International Airport. Further, the Authority expects AAI to exploit the non-aeronautical space to generate revenues for cross-subsidisation which will benefit the airport users who have funded the creation of capital assets.
- 5.5.2. The Authority has examined the comments of FIA and the counter comments of AAI on Terminal Building Ratio. On considering the passenger profile at the Airport, the Authority had considered Terminal Building ratio of 92%: 8% (Aeronautical area: Non-aeronautical area), in line with the optimum Non-aeronautical proportion of 8%-12% approved for similar airports. Due to space constraints at airport, as highlighted by AAI, Authority considers Terminal Building Ratio of 92:8 as appropriate.
- 5.5.3. 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. Further, 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 Goa Airport, the Authority decided to accomplish this exercise in-house.
- 5.5.4. Based on the above analysis, the Authority decides to consider allocation of assets into Aeronautical and Non-aeronautical as per Table 30.

Capital expenditure for the Third Control Period

- 5.5.5. The Authority has noted comments of AAI and had given its detailed justification (asset -wise) in the para No. 5.2.8.1 and 5.2.8.2 of the Tariff Order, for shifting the date of capitalisation from that proposed by AAI in its MYTP submission. AERA has taken cognizance of the comments provided by AAI regarding the capitalisation year of the Terminal Building and CISF barracks. In this background and considering the physical progress of the projects, AERA decides as follows:
- i. **Terminal Building:** The current progress of the work, which is in full swing is stated by AAI as 17% complete, as part of its submission of the Stakeholder's comments. The Authority believes that AAI may not be able to complete the project by March 2023. However, giving credence to the time involved in the completion of civil and electrical works, the Authority decides to revise the capitalisation of the extension of Terminal Building from FY 2024-25 (proposed by it vide Consultation Paper No. 29/ 2021-22 dated January 27, 2022) to FY 2023-24.
 - ii. **CISF barracks:** The Authority has examined the comments made by AAI and notes that the project is currently 41% complete. The Authority believes that AAI may not be able to complete the project



by FY 2022-23 (as submitted by AAI as part of the Stakeholder's comments) as there is a delay in the construction of retaining wall. After assessing the time involved in the completion of civil work, the Authority has now decided to consider capitalisation of this project within this Control Period and decides the commissioning of the project in FY 2023-24, as against its earlier proposal to shift the capitalisation of this project to the next Control Period (vide Consultation Paper No. 29/ 2021-22 dated January 27, 2022).

- iii. **Furniture and Fixtures:** The Authority recognises the efforts of AAI in placing bulk orders for such assets. However, as stated by the Authority at Consultation stage (refer para no. 5.2.8.2 in this Tariff Order), considering the slowdown in the growth of passenger traffic, the projected cost of above furniture and fixtures may be revisited by AAI. Hence, the Authority decides to consider only 50% of the costs of Furniture and Fixtures projected by AAI.

5.5.6. 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.

- i. In this regard, the Authority has reviewed the capex projected by AAI for the current control period (₹ 263.95 cores) and approved ₹ 249.20 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 No. 5.2.12 of the tariff order.
- ii. The Authority had reviewed the costing for the project on extension of Terminal Building submitted by AAI as part of MYTP and as counter response to stakeholders' comments. The Authority notes that the cost per sqm is within the normative guidelines including the inflationary adjustment, as approved by the Authority for other similar airports.
- iii. The Authority has also examined the comments of FIA on conducting an independent study on the efficient capital expenditure in the Third Control Period. In this regard, the Authority believes that the requirement of an independent study on the efficient capital expenditure will depend upon the size, scale, complexity of the Airport. Further, the Authority would like to emphasize that an independent study was conducted in the recent past to study the allocation of assets and efficient capital expenditure for bigger Airports particularly PPP airports. However, considering the volume and nature of operation at Goa Airport, the Authority decided to accomplish this exercise in-house.

5.5.7. The Authority also notes FIA's comment on imposing 1% re-adjustment of ARR/ Target Revenue on delayed capital additions in the Second Control Period. In this regard, the Authority has decided not to make any adjustment as no such provision was made by the Authority in the Second Control Period Order.

5.5.8. The Authority has noted AAI's comments on Financing Allowance. The Authority's views given in Para No. 3.4.15 on Financing Allowance may be referred to.

5.5.9. The Authority has taken note of AAI's comments regarding the re-adjustment (reduction) of 1% of non-completed project costs in the ARR/target revenue. The Authority is of the view that AAI has done due diligence while proposing the capitalization schedule upon which tariffs are determined in the Third Control Period and expects AAI to deliver on this capitalization schedule which has been proposed by them only. Thus, the contention of AAI to not adjust 1% of the uncanceled project is not justified. Accordingly, the Authority decides to readjust (reduce) 1% of the uncanceled project cost from ARR/target revenue as readjustment as per the tariff order, at the time of true up during tariff determination exercise for the next control period. The Authority further clarifies that in case there is delay in completion of the project beyond the approved timeline given in the tariff order due to any



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reason beyond the control of AAI or its contracting agencies and is justified, the same would be considered by the Authority while truing up at the time of tariff determination of the Fourth Control Period.

5.5.10. Based on the above analysis, the Authority has derived the Capital expenditure which it decides to consider for the Third Control Period for Goa Airport:

Table 39: Capital Expenditure (Project-wise) decided by the Authority for the Third Control Period

(₹ Crores)

Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Decided by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AAI	Decided by Authority			
A.	A1	Capital Addition projects initiated in Second Control Period and being executed in Third Control Period	Runways, Taxiway & Aprons	2022-23	-	8.57	-	(8.57)
	A2		Extension and Modification of Existing Terminal Building	2022-23	2023-24	82.41	81.97	(0.44)
			IDC*			2.41	5.62	3.21
	A3		Electrical Installations on Extension of Existing Terminal Building	2022-23	2023-24	52.95	52.66	(0.29)
			IDC*			1.61	3.75	2.14
	A4.		Building others – Construction of Residential quarters	2021-22	2022-23	26.77	26.77	-
	A5		CISF infrastructure at Goa Airport. Construction of Bachelor Accommodation (Barracks) i/c Kote, Armory, Ammunition etc. & Dog Kennel at Goa Airport.	2021-22	2023-24	15.43	15.43	-
	A6 [#]		Construction of carpark and ancillary buildings at land PT No. 162 at Goa Airport.	2021-22	-	3.41	-	(3.41)
	A7		Building others - Other civil works					



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Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Decided by the Authority (2)	Difference (3) = (2)-(1)
				Submitted by AAI	Decided by Authority			
			Beautification of City side of NITB by providing decorative tile work at Goa Airport, Goa.	2021-22	2021-22	0.85	0.85	-
			Providing and fixing glazing in existing railing at Goa airport.	2021-22	2021-22	3.08	3.08	-
			Renovation of Balance Toilets in Terminal Building at Goa Airport.	2021-22	2021-22	2.43	2.43	-
			Modification to Flooring in NITB.	2021-22	2021-22	0.97	0.97	-
			Provision of Roll Carpet for Ramps of Aerobridge No. 6,7,8	2021-22	2021-22	1.07	1.07	-
			Construction of Overhead glass canopy for remote glass at Goa International Airport, Goa	2021-22	2021-22	1.56	1.56	-
			Construction of hard standing in open car parking & surrounding garbage disposal area at Goa International Airport	2021-22	2022-23	0.55	0.55	-
	A8		Plant and Machinery – related to Extension of Terminal Building					
			SITC OF 124 NO. ETD(Goa-4nos.)	2021-22	2021-22	0.51	0.51	-
			Construction of Existing TB-Airport & IT system	2022-23	2023-24	35.79	35.79	-
			Total (A)			240.37	233.01	(7.36)
B.	B1.		Plant and Machinery					



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Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Decided by the Authority (2)	Difference (3) = (2)-(1)	
				Submitted by AAI	Decided by Authority				
		New Capital expenditure proposed for the Third Control Period	Procurement of SCCTV	2023-24	2023-24	1.00	1.00	-	
			Procurement of FIDS	2024-25	2024-25	1.00	1.00	-	
			Procurement of PA System	2025-26	2025-26	1.00	1.00	-	
	B2.		Electrical and Mechanical works						
			Laying of 33KV Cable from Sancoale Substation to Goa Airport.	2021-22	2022-23	4.36	4.36	-	
			Construction of Car Parking and ancillary building at Land PT No.162	2021-22	-	3.41	-	(3.41)	
			Improvement of Air-conditioning system at Domestic and International departure.	2021-22	2021-22	1.65	1.65	-	
			Modification of existing drinking water fountains to touchless systems at Goa Airport.	2021-22	2021-22	0.06	0.06	-	
			Provision of UVGI in existing AHU's for air quality improvement at NITB, Goa Airport.	2021-22	2021-22	0.32	0.32	-	
			Provision of Inflatable Mobile lighting tower with DG set at Goa Airport.	2021-22	2021-22	0.06	0.06	-	
			Provision of Security equipment with Civil works at Goa Airport.	2021-22	2021-22	1.00	1.00	-	
			Procurement of Portable fire extinguisher at Goa Airport	2021-22	2021-22	0.13	0.13	-	



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Reference		Project Group	Description of the Project	Year of Capitalisation		Submitted by AAI (1)	Decided by the Authority (2)	Difference (3) = (2)-(1)	
				Submitted by AAI	Decided by Authority				
			Provision of fire-fighting system for Electrical / CNS installation at Goa Airport. SH Provision of clean gas-based fire extinguishers & surge diverters.	2021-22	2021-22	0.51	0.51	-	
	B3.		Furniture and Fixtures Operational Area						
			Procurement of 01-R/W sweeping Machine & 250 Chairs.	2022-23	2022-23	3.60	1.80	(1.80)	
			ATM FURNITURE Procurement of 250 Trolleys (with Brake)	2023-24	2023-24	0.59	0.30	(0.29)	
	B4.		X-RAY						
		Procurement of X-Bis	2023-24	2023-24	3.00	3.00	-		
		Total (B)				21.69	16.19	(5.50)	
		Total (A+B)				262.06	249.20	(12.86)	
		Financing Allowance				1.89	-	(1.89)	
		Grand Total				263.95	249.20	(14.75)	
Year wise capitalisation of assets is as follows:									
(₹ Crores)									
FY 2021-22	FY 2022-23					FY 2023-24	FY 2024-25	FY 2025-26	
14.21	33.48					199.51	1.00	1.00	
Total Capex for the Third Control Period						249.20			

* IDC incurred up to the financial year of capitalisation of the asset has been included.

Construction of Car Park is a Non-aeronautical asset and hence excluded from RAB (refer para 5.2.8.1 A6)

5.5.11. The Authority decides to consider capitalisation of Aeronautical expenditure for Goa International Airport for the Third Control Period as ₹ 249.20 Crores.

Depreciation for the Third Control Period

5.5.12. The Authority has noted FIA's comment regarding depreciation for the Third Control Period. As per Order No. 35/2017-18 dated 12 January 2018, the Authority has given the option to airport operators to decide the useful life for terminal buildings as either 30 years or 60 years. AAI, based on its assessment, has submitted 30 years as the useful life for terminal buildings. Therefore, the Authority has decided



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not to consider any further revisions in this regard.

5.5.13. Based on the changes to the Capital Expenditure, the Authority has re-computed depreciation for the Third Control Period and the same is as follows:

Table 40: Depreciation 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
Land	0.00	0.00	0.00	0.00	0.00	0.00
Runways/Taxiway	0.44	0.44	0.44	0.44	0.44	2.22
Apron	2.25	2.25	2.25	2.25	2.25	11.23
Roads Bridges & Culverts	0.14	0.13	0.09	0.03	0.03	0.41
Terminal Buildings	9.63	9.80	11.25	12.70	12.70	56.07
Temporary Building	0.07	0.38	3.04	5.61	5.61	14.70
Residential Building	0.00	0.45	0.90	0.90	0.90	3.14
Temporary Boundary Wall	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Operational)	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall (Residential)	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings	0.06	0.06	0.06	0.06	0.06	0.31
Computers & I.T. Hardware	0.08	0.00	0.00	0.00	0.00	0.08
Intangible Assets- Computer Software	0.03	0.03	0.02	0.00	0.00	0.07
Plant & Machinery	6.20	6.11	7.33	8.57	8.64	36.85
Tools & Equipment	1.77	1.77	1.77	1.77	1.77	8.84
Furniture-Office	0.32	0.00	0.00	0.00	0.00	0.32
Vehicles	0.09	0.09	0.09	0.09	0.09	0.43
Cars/Jeeps	0.00	0.00	0.00	0.00	0.00	0.00
Elect. Installations	2.00	2.28	4.94	6.52	6.45	22.20
Office Equipment & Appliances	0.12	0.00	0.00	0.00	0.00	0.12
F&F- Operational Area	1.30	1.43	1.56	1.56	1.56	7.39
ATM Furniture-Trolley	0.00	0.00	0.05	0.10	0.10	0.24
X-Ray Baggage System	1.25	1.22	1.30	1.39	1.39	6.54
CFT & Fire Fighting Equipment	0.00	0.00	0.00	0.00	0.00	0.01
TOTAL	25.75	26.43	35.08	41.96	41.96	171.18

The Authority decides to consider depreciation for Goa Airport for the Third Control Period as ₹ 171.18 Crores.

RAB for the Third Control Period

5.5.14. Based on its analysis of the Capital Expenditure and Depreciation for the Third Control Period, the Authority has derived the RAB for the Third Control Period as under:



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

Table 41: 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 12)	415.64	404.11	411.17	575.60	534.63	
Additions (2) (Refer Table 39)	14.21	33.48	199.51	1.00	1.00	249.20
Disposal/Transfers (3)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (4) (refer Table 40)	25.75	26.43	35.08	41.96	41.96	171.18
Closing RAB (5) = [(1) + (2) – (3) – (4)]	404.11	411.17	575.60	534.63	493.67	
Average RAB = [(1) + (5)]/2	409.88	407.64	493.38	555.11	514.15	

Note: The variance between Capex and Depreciation shown in the Tariff Order and in the Consultation Paper No. 29/ 2021-22 is on account of additions to RAB by revising the capitalisation of Terminal Building and inclusion of CISF Barracks in this Control Period.

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

- 5.6.1. The Authority decides allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 5.6.2. The Authority decides to adopt the capitalisation of Aeronautical Expenditure for the Third Control Period in accordance with Table 39.
- 5.6.3. To true up the Capital expenditure on actuals at the time of determination of tariff for the 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/capitalised as per the approved capitalisation schedule in the Tariff Order (as per Para No. 5.2.11), at the time of truing up of the Third Control Period.
- 5.6.5. The Authority decides depreciation as per Table 40 for the Third Control Period.
- 5.6.6. The Authority decides to consider RAB for the Third Control Period for Goa International Airport as per Table 41.



6. FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD**6.1. AAI's submission of FRoR for Goa International Airport for the Third Control Period**

6.1.1. AAI submitted that Goa International Airport would require debt to fund the capital expenditure that have been projected for the Third Control Period. Further, AAI also submitted that a debt: equity ratio of 60%:40% has been considered for the cost of extension of Terminal Building and other capital additions. Considering this composition of capital for the Third Control Period, AAI has submitted the projected debt and equity computation as follows.

Debt and cost of Debt

6.1.2. The cost of debt submitted by AAI for the FRoR calculation of the Third Control Period pertaining to Goa International Airport is 6.21% per annum.

6.1.3. The outstanding debt and cost of debt as submitted by AAI for the Third Control Period for Goa International Airport is summarized in the table below

Table 42: Debt computation for the Third Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening debt	0.00	38.67	137.27	112.64	87.53
Closing debt	38.67	137.27	112.64	87.53	79.54
Average Debt	19.33	87.97	124.96	100.08	83.53
Cost of Debt (%)	6.21%	6.21%	6.21%	6.21%	6.21%

Equity and cost of Equity

6.1.4. The cost of equity as submitted by AAI for the Third Control Period is 16% per annum.

6.1.5. The equity projections of Goa International Airport for the Third Control Period as submitted by AAI is summarized in the table below:

Table 43: Equity computation for the Third Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Equity	426.03	450.56	466.82	451.28	430.01
Cost of Equity (%)	16%	16%	16%	16%	16%

Fair Rate of Return

6.1.6. Based on the financing pattern as discussed above, AAI had computed the FRoR for the Third Control Period as summarized in the table below:



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

Table 44: FRoR for the Third Control Period submitted by AAI

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	19.33	87.97	124.96	100.08	83.53
Equity	B	426.03	450.56	466.82	451.28	430.01
% of Debt	$C=A/(A+B)$	4%	16%	21%	18%	16%
% of Equity	$D=B/(A+B)$	96%	84%	79%	82%	84%
Cost of Debt (%)	E	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity (%)	F	16%	16%	16%	16%	16%
FRoR	$G=[(C*E)+(D*F)]$	15.58%	14.40%	13.93%	14.22%	14.41%

6.2. Authority's examination regarding FRoR for the Third Control Period at Consultation stage

Debt and cost of debt

- 6.2.1. The Authority noted that AAI has considered capital expenditure funding where 60% of the capital requirement is funded through debt and 40% from internal accruals. The Authority also noted that AAI has accounted for depreciation in its submission of debt proportion. The Authority proposed to rectify the same and recalculate the debt proportion (excluding depreciation) for Goa International Airport in the Third Control Period.
- 6.2.2. From the next Control Period, the Authority may use the notional debt-equity ratio of AAI airports in line with the PPP Airports
- 6.2.3. The Authority had recalculated the debt computation considering the total fund requirement as per the capitalization for the Third Control Period and the same is presented in the table below:

Table 45: Debt computation proposed to be considered by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening debt	A	0.00	8.53	27.40	27.10	113.78
Drawdown (additional loan taken)	B	8.53	20.09	3.79	93.64	29.03
Repayment	C	0.00	1.22	4.09	6.96	6.96
Closing debt	$D=A+B-C$	8.53	27.40	27.10	113.78	135.85
Average debt	$E=(A+D)/2$	4.26	17.97	27.25	70.44	124.82
Cost of debt (%)		6.21%	6.21%	6.21%	6.21%	6.21%

Equity and Cost of Equity

- 6.2.4. The Authority had analysed the cost of equity pertaining to Goa International Airport as submitted by AAI for the Third Control Period. The Authority acknowledged the debt taken by AAI for Goa International Airport in the Third Control Period and its impact on FRoR. However, the Authority was of the opinion that the gearing ratio is still suboptimal and does not justify a cost of equity of 16% per annum as submitted by AAI. The Authority had drawn reference to the independent studies conducted in the



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

tariff determination exercise for DIAL (Refer to Order No. 57/2020-21), MIAL (Refer to Order No.64/2020-21), HIAL (Refer Order No.12/2020-21), BIAL (Refer Order No.11/2020-21) and CIAL (Refer Order No.08/2020-21). The independent study considered an optimal gearing ratio of 48%:52% and determined a cost of equity in the range of 15% to 15.50%. Given that the debt-equity ratio for Goa International Airport ranges between 4% to 21%% in the Third Control Period, the Authority proposed to maintain a cost of equity of 14% across the Third Control Period

- 6.2.5. Considering the changes in the capitalization plan for the Third Control Period and the cost of equity, the Authority had recalculated the equity computation of Goa International Airport and the same had been summarised in the table below:

Table 46: Equity computation proposed to be considered by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)					
Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Equity	402.93	386.77	369.64	374.94	381.10
Cost of Equity (%)	14%	14%	14%	14%	14%

Fair Rate of Return

- 6.2.6. The FRoR recalculated by the Authority after considering the analysis discussed above had been shown in the table below:

Table 47: Fair Rate of Return proposed to be considered by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)						
Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	8.53	27.40	27.10	113.78	135.86
Equity	B	402.93	386.77	369.64	374.94	381.10
Debt + Equity	C= A+B	411.45	414.17	396.74	488.72	516.95
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14%	14%	14%	14%	14%
Individual Year Gearing	F	2%	7%	7%	23%	26%
Weighted Average Gearing	G	14.03%				
Cost of Debt	H	6.21%				
Cost of Equity	I	14%				
FRoR	J = G*H+(1-G)*I	12.91%				

6.3. Stakeholders' comments on Fair Rate of Return (FRoR) 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. 29/2021-22 with respect to Fair Rate of Return (FRoR) for The Third Control Period. The comments by stakeholders



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

are presented below:

AAI's comments on Fair Rate of Return (FRoR) for the Third Control Period

6.3.2. AAI has commented the following:

AAI had appointed M/s KPMG to carry out a study on Cost of Equity during 2011 the results of which are given below:

Table 3: Beta of comparable airports

Airport / Group	Country	Equity Beta	Tax Rate	Debt (in Billion local currency)	Mkt Cap (in Billion local currency)	Debt /Mcap	Asset Beta
Airports of Thailand PCL	Thailand	1.14	30%	56.2	54.3	1.03	0.66
Beijing Capital International Airport	China	1.03	25%	18.5	14.8	1.25	0.53
Guangzhou Baiyun International Airport	China	0.91	25%	0.0	8.3	0.00	0.91
Shanghai International Airport	China	1.04	25%	2.5	22.0	0.11	0.96
Xiamen International Airport	China	0.95	25%	0.0	4.1	0.00	0.95
Grupo Aeroportuario del Sureste SAB de CV (Group of 9 airports in Mexico)	Mexico	0.94	30%	0.6	21.0	0.03	0.92
Grupo Aeroportuario del Pacifico SAB de CV	Mexico	0.84	30%	1.0	27.2	0.04	0.82
Grupo Aeroportuario Centro Norte, S.A. de C.V.	Mexico	0.99	30%	1.0	9.2	0.10	0.92

The median value of asset beta for the above comparable set is 0.92 which is being used as the asset beta for airport operations business of AAI. This needs to be re-levered as per the expected gearing of AAI in the control period to estimate the equity beta for AAI.

Table 4: Equity Beta for AAI

Estimated asset beta for AAI	0.92
Gearing for AAI	8.84%
Tax rate for AAI	32.45%
Equity beta for AAI	0.98

Equity beta for AAI works out to 0.98.

For full Report, please refer Consultation Paper No. 16/2012-13.

Based on the above report, AAI submitted during SCP consultation that the CoE was 16%. AERA in the SCP order had also considered CoE of 16% and since there was no debt, the FRoR was determined to be 14%. AAI submits that the debt was taken only during the end of FY 21 and hence, AAI requests AERA to consider FRoR of 14% for SCP.

- The Equity estimation can also yield a range of values depending on the assumptions employed.
- Cost of Equity depends on ownership structure, Comparable Airports & Revenue Till
- Asset Beta plays an important role in determination of Equity Beta even if Debt/Equity Ratio is low (low gearing). Cost of Equity depends on both Asset Beta and Equity Beta.
- In 1st Control Period, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out



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

to 0.98. The cost of Equity submitted by AAI works out to 16.82%

- If AERA considers the debt equity ratio as 48:52 as ideal ratio and provides Asset Beta @ 0.92 then the FRoR will increase to more than 16%.
- In MIAL, DIAL, HIAL and CIAL the Cost of Equity has been considered @ 15+%. Thus AERA is requested to consider the Cost of Equity @ 16% as submitted by AAI.
- It is also requested to consider the FRoR as submitted by AAI instead of an Average FRoR @ 12.91% for TCP.

Other Stakeholder's comments on Fair Rate of Return (FRoR) for The Third Control Period

6.3.3. FIA has submitted the following:

"AERA has considered a FRoR of 12.91%, which is net of income tax return to the airport operator, for the Third Control Period. 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.

Further, due to such fixed/assured returns, service providers like Goa 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 returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.

In view of above, in the present scenario any assured return on investment to any services providers like Goa 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.

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

6.4. AAI's responses to Stakeholders' comments on Fair Rate of Return (FRoR) for the Third Control Period

6.4.1. AAI has responded to FIA's comments as under:

AAI had appointed M/s KPMG to carry out a study on Cost of Equity during 2011 the results of which have been explained in the table given in para 6.3.2 of this Tariff Order

For full Report, please refer Consultation Paper No. 16/2012-13.

Based on the above report, AAI submitted during SCP consultation that the CoE was 16%. AERA in the SCP order had also considered CoE of 16% and FRoR was determined to be 14%.

The Equity estimation can also yield a range of values depending on the assumptions employed.

Cost of Equity depends on ownership structure, Comparable Airports & Revenue Till Asset Beta plays an important role in determination of Equity Beta even if Debt/Equity Ratio is low (low gearing). Cost of Equity depends on both Asset Beta and Equity Beta.

In 1st Control Period, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to



0.98. The cost of Equity submitted by AAI works out to 16.82%

If AERA considers the debt equity ratio as 48:52 as ideal ratio and provides Asset Beta @ 0.92 then the FRoR will increase to more than 16%.

In MIAL, DIAL, HIAL and CIAL the Cost of Equity has been considered @ 15+%. Thus, AERA is requested to consider the Cost of Equity @ 16% as submitted by AAI.

AAI had requested AERA to consider the FRoR as submitted instead of an Average FRoR @ 12.91% for TCP.

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 interest rate of bank to be applied does not factor in the risks 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 (FRoR) for the Third Control Period

6.5.1. The Authority notes AAI's comment regarding the FRoR proposed in the Third Control Period for Goa International Airport. The Authority notes that the cost of equity of 16% proposed by AAI for Goa International Airport is on the higher side when compared to other major airports. The Authority has analysed the working and the report annexed in AAI's comments for the same.

- i. The Authority is of the view that the risk-free rate considered in the computation of the cost of equity is not aligned with the prevailing risk-free rates in the market.
- ii. It may be noted that the weighted average gearing ratio considered by the Authority is on an actual gearing basis which comes to 18.94% as mentioned in Table 48 of this Tariff Order. Further, it may be noted that for major PPP airports a notional debt-equity ratio (of 48%:52%) is considered. Thus, it may be noted that due to low leverage in funding of new capital additions at AAI airports, it may not be appropriate to consider a cost of equity as considered for PPP airports. The proposition of considering a notional debt-equity ratio was presented to AAI during the stakeholders' consultation meeting dated February 15, 2022. The Authority notes that there has been no comment from AAI regarding the same. Accordingly, the Authority is of the view that the actual debt-equity ratio of AAI does not justify the cost of equity of 16%. Therefore, the Authority decides to consider a cost of equity of 14% as specified in Para 6.2.4 of the Tariff Order. Going forward, the Authority may also consider computation of FRoR for AAI airports in line with that adopted for PPP airports.

6.5.2. The Authority has examined the comments of FIA and the counter comments by AAI on the FRoR being allowed to AAI.

- i. 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.
- ii. The Authority also notes FIA's comment on limiting the return on investment to 3%. With respect to FIA's suggestions to cap the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that an airport is a long-term asset while the pandemic is a short-term phenomenon that is not likely to have a long-term impact. Further, the Authority notes that in such long-term projects, investors desire a stable return on equity. Therefore, the Authority finds that it is not pragmatic or fair to cap the FRoR.
- iii. Further, the Authority has noted that in the recent times, AAI has taken steps to make its capital



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

structure efficient by availing debt for executing capital expansion plans at certain Airports. 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 above initiatives of AAI.

- 6.5.3. The Authority may use the notional Debt-Equity ratio for AAI Airports in future in line with PPP Airports.
- 6.5.4. The Authority has re-computed FRoR, based on the revised capital expenditure and depreciation decided by it as discussed under Chapter 5. The revised FRoR is presented as follows:

Table 48: Fair Rate of Return decided by the Authority for the Third Control Period

(₹ Crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Debt	A	8.53	27.40	144.23	141.79	142.39
Equity	B	405.62	389.68	407.56	412.10	372.06
Debt + Equity	C= A+B	414.14	417.08	551.80	553.89	514.45
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14%	14%	14%	14%	14%
Individual Year Gearing	F	2%	7%	26%	26%	28%
Weighted Average Gearing	G			18.94%		
Cost of Debt	H			6.21%		
Cost of Equity	I			14%		
FRoR	$J = G*H + (1 - G)*I$			12.52%		

6.6. Authority's decisions 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. The Authority decides to consider cost of debt at 6.21% as per Table 45.
- 6.6.2. The Authority decides to consider cost of equity at 14% as per Table 46.
- 6.6.3. The Authority decides to consider FRoR of 12.52% for Goa Airport for the Third Control Period as per Table 48.
- 6.6.4. To true up the FRoR during the tariff determination exercise for the Fourth Control Period.



7. INFLATION FOR THE THIRD CONTROL PERIOD

7.1. AAI's submission on Inflation for Goa 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 Goa International Airport for the Third Control Period.

7.2. Authority's examination 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 4th quarter of FY 2020-21 and the 1st, 2nd, 3rd and 4th quarters of FY 2021-22 had been reproduced below:

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

7.3. Stakeholders' comments on Inflation for the 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 4th quarter of FY 2020-21 and 1st, 2nd, 3rd, 4th quarters of FY 2021-22, given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI

7.5. Authority's decision regarding 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 WPI inflation at 4.9% for the Third Control Period based on average of the median WPI inflation forecasts of the 4th quarter of FY 2020-21 and of FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI.



NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

8. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

8.1. AAI's submission of Non-aeronautical revenue for Goa International Airport for the Third Control Period

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

Table 49: Non-aeronautical revenue projections submitted by AAI for Goa International Airport

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1. Passenger related revenue						
Restaurant / snack bars	4.11	11.66	12.83	14.11	15.52	58.22
T.R. stall	4.33	11.58	12.74	14.01	15.41	58.07
Hoarding & display	3.66	4.11	6.73	8.14	9.65	32.29
Duty Free	4.23	4.75	7.77	9.41	11.15	37.32
Car rentals	0.14	0.16	0.27	0.32	0.38	1.28
Car parking	0.83	0.93	1.53	1.85	2.19	7.32
Admission tickets	0.11	0.12	0.20	0.24	0.28	0.94
Other Misc. Income	2.33	2.62	4.28	5.18	6.14	20.54
2. Other Revenue						
Land leases	0.02	0.02	0.02	0.02	0.03	0.12
Building (residential)	0.00	0.00	0.00	0.00	0.00	0.00
Building (non-residential)	2.47	2.72	2.99	3.29	3.61	15.07
Sale of scrap or Fixed Asset	0.11	0.12	0.13	0.13	0.14	0.63
Total	22.34	38.79	49.46	56.70	64.51	231.80

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

Table 50: Growth rates assumed by AAI for Goa International Airport for Non-aeronautical revenue

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1. Passenger related revenue					
Restaurant / snack bars	171.25%	183.63%	10.00%	10.00%	10.00%
T.R. stall	5055.09%	167.17%	10.00%	10.00%	10.00%
Hoarding & display	112.80%	12.43%	63.59%	21.08%	18.52%
Duty Free	3796.33%	12.43%	63.59%	21.08%	18.52%
Car rentals	408.26%	12.43%	63.59%	21.08%	18.52%
Car parking	14.10%	12.43%	63.59%	21.08%	18.52%
Admission tickets	-49.18%	12.43%	63.59%	21.08%	18.52%
Other income etc.	-4.47%	12.43%	63.59%	21.08%	18.52%
2. Other Revenue					
Land leases*	0.00%	5.00%	5.00%	5.00%	5.00%



NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Building (residential)	0.00%	10.00%	0.00%	0.00%	0.00%
Building (non-residential)	10.00%	10.00%	10.00%	10.00%	10.00%
Other income/ sale of scrap etc.	-4.47%	12.43%	63.59%	21.08%	18.52%

** 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 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 Goa Airport (₹ 231.80 Crores) was lesser than the actual revenue reported by Goa Airport for true up of the Second Control Period (which is at ₹ 306.04 Crores). Further, as also mentioned in para 3.5.3, there were short duration Master Concessionaire agreements which were in existence only during FY 2018-19 and FY 2019-20 and had resulted in substantial increase in Non-aeronautical revenues during those years (under the category 'Restaurants & Snack Bar' and 'T.R Stalls'). Upon termination of these agreements, the revenues for FY 2020-21 were adversely impacted. Consequently, the projections for Non-aeronautical revenues for the Third Control Period, computed from FY 2020-21 revenues were also correspondingly reduced.
- 8.2.2. Further, the Authority noted that the projections towards Operation and Maintenance expenses for the Third Control Period have increased substantially, compared to the Non-aeronautical revenues. The Authority wanted the stakeholders to comment on the above aspect.
- 8.2.3. The Authority examined the Non-aeronautical revenues for FY 2020-21 (which was considered as a basis for projecting Non-aeronautical revenues for the Third Control Period) submitted by AAI and found the figures to be in line with the trial balances for FY 2020-21.

Utilisation of earmarked commercial space

- 8.2.4. The Authority noted that out of the earmarked commercial space of 15,715.15 Sq.m, nearly 94% (14,769.15 Sq.m.) had been allotted to the Concessionaires. Further the Authority noted that the proportion of Non-aeronautical area to total Terminal Building area was only 7.41 % (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 currently, the Terminal Building is being extended by 18,300 Sq.m.
- 8.2.5. With the optimal utilisation of the earmarked commercial space and with the extension of Terminal Building, the Authority believed that Goa Airport will be able to increase the proportion of Non-aeronautical area to the total Terminal Building area from the existing 7.41% to around 8% to 12% (being the optimum Terminal Building ratio as approved in similar airports).

Revenue from Passenger related services

- 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 (other than Restaurant/ Snack Bars and TR Stalls) and Miscellaneous had been proposed for the last 3 tariff years, viz., 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 is allowed by AAI vide its Commercial Circular No. 24/ 2020 and 26/ 2020, considering the impact of



NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

COVID-19 on the Aviation sector. The revenue from Restaurant/ Snack Bars and TR Stalls had been proposed by AAI to be increased by 10% for the last 3 tariff years, viz., FY 2023-24, FY 2024-25 and FY 2025-26.

- 8.2.7. 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 Passenger related revenue (Trading Concessions) for FY 2023-24 to FY 2025-26.
- 8.2.8. The AAI had entered into Concessionaire agreement with M/s Travel Food Services Private Limited to manage and maintain food beverage outlets at Goa Airport via agreement number AAI/Goa/Comm/ MC/F&B/2021/194/263 dated July 28, 2021. The Authority noted a business incubation period of 60 days and after Concession Agreement was proposed to be executed. The Authority proposed to consider the revenue from the Concession Agreement (₹0.93 Crores per month) for FY 2021-22 with effect from October 1, 2021 onwards.

Other revenue – Rent and Services

- 8.2.9. 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 5% per annum to estimate revenue from land leases. The Authority proposed to consider the increase in revenues as submitted by AAI on Land Lease, Building (Residential and Non- Residential) and sale of scrap for the Third Control Period.
- 8.2.10. The revised Non-aeronautical revenues as per Authority's examination had been presented in the table below:

Table 51: Non-aeronautical revenues proposed by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1. Passenger related revenue						
Restaurant / snack bars	6.53	11.66	12.84	14.77	16.98	62.78
T.R. stall	4.33	11.58	13.32	15.31	17.61	62.15
Hoarding & display	3.66	4.77	8.67	10.11	11.67	38.88
Duty Free	4.23	5.52	10.02	11.68	13.49	44.94
Car rentals	0.14	0.19	0.34	0.40	0.46	1.53
Car parking	0.83	1.08	1.97	2.29	2.65	8.82
Admission tickets	0.11	0.14	0.25	0.29	0.34	1.13
Other Misc. Income	2.23	3.04	5.51	6.43	7.42	24.63
2. Other revenue						
Land leases	0.02	0.02	0.03	0.03	0.03	0.13
Building (residential)	0.00	0.00	0.00	0.00	0.00	0.00
Building (non-residential)	2.47	2.72	3.12	3.59	4.13	16.03
Sale of scrap or Fixed Asset	0.11	0.12	0.14	0.16	0.18	0.71
Total	24.66	40.84	56.20	65.06	74.97	261.73



NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

8.2.11. The revised growth rates as per Authority's examination had been presented in the table below:

Table 52: Growth rates in Non-aeronautical revenue proposed by the Authority at the Consultation stage

Particulars	FY	FY	FY	FY	FY
	2021-22	2022-23	2023-24	2024-25	2025-26
1. Passenger related revenue					
Restaurant / snack bars	331%	79.00%	15.00%	15.00%	15.00%
T.R. stall	5051%	167.17%	15.00%	15.00%	15.00%
Hoarding & display	113%	37.86%	81.76%	16.61%	15.43%
Duty Free	3800%	38.35%	81.52%	16.57%	15.50%
Car rentals	391%	35.71%	78.95%	17.65%	15.00%
Car parking	14%	38.46%	82.41%	16.24%	15.72%
Admission tickets	-47%	40.00%	78.57%	16.00%	17.24%
Other income	-8%	38.18%	81.25%	16.70%	15.40%
2. Other Revenue					
Land leases*	0%	5.00%	15.00%	15.00%	15.00%
Building (residential)	0%	10.00%	0.00%	0.00%	0.00%
Building (non-residential)	10%	10.00%	15.00%	15.00%	15.00%
Sale of scrap etc.	-8%	38.18%	81.25%	16.70%	15.40%

* 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.

8.3. 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. 29/2021-22 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. AAI has commented the following:

1. Revenue Related to Passenger Traffic:

- Generally, increase in traffic is not proportionate with increase in NAR.
- It is to mention that in view of COVID-19 pandemic, AAI had provided Concessionaire Support Scheme (CSS) to various contractors linked to the passenger traffic till December 31, 2021. Under the CSS, license/concession fee was charged based on actual passenger traffic during a particular month. In addition, additional discount was also given due to adverse impact on buying behavior of the passenger.
- In view of the above, revenue growth after December 31, 2021 is not to be linked with passenger traffic growth. Most of the commercial contracts have been awarded by AAI on fixed license fee basis having annual escalation provision of 10%. Therefore, AAI projections are based on the consistent revenue increment trend during pre- COVID years
- Hence, projections from FY 2022-23 onwards should be delinked with total traffic numbers



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and AAI circulars 24&26. Further, in the revenue projection for FY 2021-22, additional discount provided under CSS in license fee due to adverse impact on passenger buying behavior has also to be factored in.

- As per RFP of Restaurant/Snack/Car Parking/Hoarding & Display have the clause of annual Escalation with Passenger Growth as given below:

(₹ Crores)

Particulars	As per AAI	AS per CP	AAI Submission																				
Restaurant/Snack	58.22	62.78	<ul style="list-style-type: none">Annual Escalation 5% if PAX growth increases up to 5% orAnnual Escalation 10% if PAX growth Greater than 5% and upto 18% orAnnual Escalation 15% if PAX growth Greater than 18%.Proposed PAX growth is as under: <table><tr><th colspan="5">Proposed PAX Growth (%)</th></tr><tr><th></th><th>FY2223</th><th>FY2324</th><th>FY2425</th><th>FY2526</th></tr><tr><td>AAI</td><td>5.40%</td><td>25.84%</td><td>16.42%</td><td>13.96%</td></tr><tr><td>AERA</td><td>28.81%</td><td>26.32%</td><td>16.67%</td><td>15.18%</td></tr></table>	Proposed PAX Growth (%)						FY2223	FY2324	FY2425	FY2526	AAI	5.40%	25.84%	16.42%	13.96%	AERA	28.81%	26.32%	16.67%	15.18%
Proposed PAX Growth (%)																							
	FY2223	FY2324		FY2425	FY2526																		
AAI	5.40%	25.84%		16.42%	13.96%																		
AERA	28.81%	26.32%	16.67%	15.18%																			
Car Parking	7.32	8.82																					
Hoarding & Display	32.29	38.88																					
Duty Free Shop	37.32	44.94	<p>Estimated Revenue is projected as the sales fully depends on the International Flight. Further the existing contract has expired and proposal for the new contract is under process. AERA has proposed increase 15% YOY against 10%YOY proposed by AAI. The International Flight operation have been suspended due to the Pandemic & operation of the same is uncertain due to the pandemic. Hence, AERA is requested to consider the growth proposed by AAI.</p>																				
TR Stall	58.07	62.15	<p>AERA is requested to consider the 10%YOY against 15% as there is no clause of escalation based on the PAX growth in the contract</p>																				
Car Rental	1.28	1.53																					
Other Misc.	20.54	24.63																					
Admission Ticket	0.94	1.13	<p>Considering Pandemic, no visitors Tickets is being issued. Passes are being issued to contractors/concessionaires only. Hence AREA is requested to consider the growth proposed by AAI.</p>																				

Considering the above, AERA is requested to revise the Non-Aeronautical Revenue as projected by AAI.

ii. Other Revenue-Rent & Services:

- The Authority proposes to consider the increase in revenues as submitted by AAI on Land Lease, Building (Residential and Non- Residential) and sale of scrap for the Third Control Period as shown in Table 49 of this Tariff Order.

AERA has linked Land Lease, Building (Residential and Non- Residential) and sale of scrap with the passenger growth and projected higher revenue. The Land Lease has an escalation of only 5% as per AAI policy. Building- Residential & Non-Residential & scrap are no way connected to passenger growth.

Hence, AERA is requested to consider revenue from Land Lease, Building (Residential and Non-



Residential) and sale of scrap as projected in MYTP by AAI.

Other Stakeholder's comments on Non-Aeronautical Revenue for the Third Control Period

8.3.3. FIA has commented the following:

"We observe that the non-aeronautical revenues of Goa considered by AERA are low / conservative. It is requested that Goa Airport explores all avenues to maximize revenue from the utilization from the expansion of terminal building for non-aeronautical purposes. As mentioned in para 9.2.1, the non-aeronautical revenue for Third Control Period is lower than the Second Control Period due to cessation of certain concessionaire agreements in FY20-21. Accordingly, we request AERA to direct AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue.

In this regard we also request AERA to kindly undertake detailed examination with the assistance of an independent study to be conducted on the non-aeronautical revenue before the tariff determination of the Third Control Period.

Without prejudice to the above, our submission is that increase in non-aeronautical revenue is a function of passenger traffic growth, inflationary increase, and real increase/escalations in contract rates. AERA is requested to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires.

a. Royalty:

Any attempt to award the contracts by 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. 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.

As you are 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 Goa airport are as high as up to 13-15% for some services. 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.

In view of the above, we urge AERA to abolish such royalty which may be included in any of the cost items."



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

8.4.1. AAI has responded to FIA's comments as under:

"Generally, increase in traffic is not proportionate with increase in NAR.

It is to mention that in view of Covid-19 pandemic, AAI had provided Concessionaire Support Scheme (CSS) to various contractors linked to the passenger traffic till 31/12/2021. Under the CSS, license/concession fee was charged based on actual passenger traffic during a particular month. In addition, additional discount was also given due to adverse impact on buying behaviour of the passenger.

In view of the above, revenue growth after 31/12/2021 is not to be linked with passenger traffic growth. Most of the commercial contracts have been awarded by AAI on fixed license fee basis having annual escalation provision of 10%. Therefore, AAI projections are based on the consistent revenue increment trend during pre- COVID years

Hence, projections from FY 2022-23 onwards should be delinked with total traffic numbers and AAI circulars 24 & 26. Further, in the revenue projection for FY 2021-22, additional discount provided under CSS in license fee due to adverse impact on passenger buying behaviour has also to be factored in.

The main reasons for lower non-aeronautical revenue for Third Control Period to the second control period are as under:

Restaurants and Snack bar: *The revenue projected in this category was ₹ 25.90 Crores, whereas the actual revenue is ₹ 52.85 Crores (which is higher than the projections). The revenue for the year 2019-20 was higher than the other years (at ₹ 35.65 Crores) due to award of Master concession for Food & Beverage (F&B) outlets to the party M/s Travel Food Services Private Limited at ₹ 3.88 Crores per month. This agreement was in place only for FY 2018-19 and 2019-20 and after which it was foreclosed in November 2020, due to COVID-19 pandemic. This had resulted in decrease in the revenues for the FY 2020-21.*

T.R Stalls: *The revenue projected in this category was ₹ 16.00 Crores, whereas the actual revenue is ₹ 122.10 Crores (which is higher than the projections). The revenue for FY 2018-19 was higher than the other years (at ₹ 52.42 Crores) due to award of Master concession for Individual Retail outlets to the party M/s FLFL Travel Retail West Private Limited at ₹ 2.92 Crores per month. The above revenue was not forecasted by AAI, while submitting their MYTP for the Second Control Period to AERA and hence there is significant increase in the actual revenue as compared to that approved in the Tariff Order for the Second Control Period. This agreement was in place only for the FY 2018-19 and FY 2019-20 and after which it was foreclosed in July 2020, due to COVID-19 pandemic. This had resulted in decrease in the revenues for the FY 2020-21.*

Royalty: *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 policy.*

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.

Hence AERA is requested not to link Passenger growth with Non-Aeronautical Revenue."

8.5. Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue for The Third Control Period

8.5.1. Revenue from passenger related services

- i. The Authority has taken note of AAI's comments on revenue related to Passenger traffic.
- ii. The Authority does not agree with AAI's comment that there is no direct connection between increase in tariff and the increase in Non-aeronautical revenue.
- iii. Hence, the Authority has considered passenger base as the metric to project revenues for the third control period keeping FY 2019-20 (pre-COVID year) as a base year. Further, the Authority notes that AAI in their MYTP submission have also computed miscellaneous revenue such as Duty free shops, Car Parking (based on CSS), by considering the passenger traffic of FY 2019-20 as the base year. Hence, the Authority does not find reason, not to project the revenues for Third Control Period based on passengers.

8.5.2. Revenue from other services

- i. The Authority has noted the comments of AAI. The Authority has now re-computed the revenue from other services such as Land Lease, Building (Residential and Non- Residential) and sale of scrap in the Consultation Paper No. 29/ 2021-22 in line with the projections submitted by AAI in the MYTP. The revised Non-aeronautical revenue decided by the Authority is shown in Table 53.

8.5.3. The Authority has noted the comments of FIA on Non-aeronautical revenue and Royalty and the counter response of AAI. The Authority has increased the non-traffic revenue in Third Control Period after doing detailed analysis of passenger traffic and other relevant factors.

- i. The Authority reviewed the counter response by AAI to FIA's comment on royalty and notes that AAI's comments adequately addresses the issues raised by FIA
- ii. The Authority has noted the issue of royalty fees and revenue share payable to Airport Operators by the Service Providers as a pass-through expenditure. It may be noted that the Authority has a separate tariff determination process for service providers providing Cargo, Ground Handling and Fuel Supply to aircraft where the royalty charges are addressed alongside a rigorous stakeholders' consultation process.
- iii. It may also be noted that the Royalty paid by the ISPs to the Airport Operators are taken into account as Aeronautical revenue by AERA during tariff determination process, thus helping the Airport Users by reduction in the tariff.

8.5.4. The Authority has re-computed Non-aeronautical revenue for the Third Control Period after considering the revised passenger traffic and ATM shown in Table 28 and has also considered the revenue from Land Lease, Building (Residential and Non- Residential) and sale of scrap as projected in the MYTP submitted by AAI. The same is presented in the table below:



NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Table 53: Non-aeronautical revenue decided by the Authority for the Third Control Period
(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
A. Passenger related revenue						
Restaurant / snack bars	6.53	11.66	12.84	14.77	16.98	62.78
T.R. stall	4.33	11.58	13.32	15.31	17.61	62.15
Hoarding & display	3.69	4.77	8.67	10.11	11.67	38.91
Duty Free	4.26	5.52	10.02	11.68	13.49	44.97
Car rentals	0.15	0.19	0.34	0.4	0.46	1.54
Car parking	0.84	1.08	1.97	2.29	2.65	8.83
Admission tickets	0.11	0.14	0.25	0.29	0.34	1.13
Other Misc. Income	2.35	3.04	5.51	6.43	7.42	24.75
Sub total (A)	22.26	37.98	52.92	61.28	70.62	245.06
B. Other revenue						
Land leases	0.02	0.02	0.02	0.02	0.03	0.12
Building (residential)	0.00	0.00	0.00	0.00	0.00	0.00
Building (non-residential)	2.47	2.72	2.99	3.29	3.61	15.07
Sale of scrap or Fixed Asset	0.11	0.12	0.13	0.13	0.14	0.63
Sub total (B)	2.60	2.86	3.14	3.44	3.78	15.82
Grand Total (A+B)	24.86	40.84	56.06	64.72	74.40	260.88

Note: The variance between the Non-aeronautical revenue shown in the Tariff Order (₹ 260.88 crores) and that shown in the Consultation Paper No. 29/2021-22 (₹261.73 crores) is on account of the following:

- Passenger related revenue for FY 2021-22 has been computed based on the actual traffic achieved by the Goa International Airport.
- Other revenue such as revenue from Land Lease, Building (Residential and Non- Residential) and sale of scrap has been considered in line with the projection made by AAI in the MYTP.

8.6. Authority's decision regarding Non-aeronautical revenues for the Third Control Period

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

- The Authority decides to consider Non-aeronautical revenues for the Third Control Period for Goa Airport in accordance with Table 53.



9. OPERATION AND MAINTENANCE EXPENDITURE FOR THE THIRD CONTROL PERIOD

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

9.1.1. Operation and Maintenance (O&M) expenditure submitted by AAI is 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, have not been considered by AAI.

9.1.3. AAI has segregated the expenses into Aeronautical expenses, Non-aeronautical expenses, and Common Expenses. The Common Expenses have 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 has been done based on the revenue of each Airport.

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

Table 54: Operation and Maintenance (O&M) expenditure submitted by AAI for Goa International Airport

(₹ Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Costs - Excluding CHQ/RHQ	13.87	14.84	17.45	18.67	19.98	84.81
Payroll Costs - CHQ/RHQ	1.31	1.40	1.64	1.76	1.88	8.00
Repair & Maintenance	20.45	22.51	31.50	33.04	34.83	142.34
Utilities & Outsourcing Expenses	10.41	10.71	12.09	12.44	12.80	58.46
Upkeep Expenses	5.47	6.02	8.49	9.34	10.27	39.58
Admin. & Other Expenses - Excluding CHQ/RHQ	5.64	6.20	7.36	8.09	8.90	36.18
Admin. & Other Expenses - CHQ/RHQ	52.32	54.93	57.68	60.56	63.59	289.08
Other Outflows	0.07	0.08	0.10	0.11	0.13	0.49
Total O&M Expenditure	109.54	116.69	136.31	144.01	152.38	658.94

9.1.6. The summary of growth rates assumed by AAI for the O&M expenses have been presented in the table below:



OPERATION AND MAINTENANCE EXPENDITURE FOR THE THIRD CONTROL PERIOD

Table 55: Growth rates in O&M expenditure submitted by Goa 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%	17%	7%	7%
Payroll Costs - CHQ/RHQ	7%	7%	17%	7%	7%
Repair & Maintenance	10%	10%	40%	5%	5%
Utilities & Outsourcing Expenses	3%	3%	13%	3%	3%
Upkeep Expenses	10%	10%	41%	10%	10%
Admin. & Other Expenses - Excluding CHQ/RHQ	10%	10%	20%	10%	10%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	5%
Other Outflows	80%	5%	26%	16%	14%

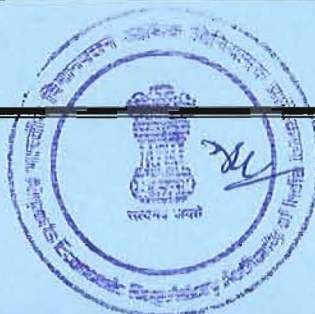
9.1.7. Further, the summary of allocation of expenses between Aeronautical and Non-aeronautical as proposed by AAI is given in the table below:

Table 56: Allocation of O&M expenses submitted by AAI for Goa International Airport for FY 2020-21

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	95.65%	4.35%
Payroll Costs –CHQ/RHQ	95.00%	5.00%
Repair & Maintenance – Civil	92.59%	7.41%
Repair & Maintenance – Electricity	92.59%	7.41%
Repair & Maintenance - IT	96.15%	3.85%
Utilities	99.99%	0.01%
Upkeep Expenses	92.59%	7.41%
Admin. & Other Expenses - Excluding CHQ/RHQ	96.15%	3.85%
Admin. & Other Expenses - CHQ/RHQ	95.00%	5.00%
Other Outflows	100%	0.00%

9.2 Authority's examination regarding Operation and Maintenance expenditure for the Third Control Period at Consultation stage

9.2.1. The Authority examined the trial balance for FY 2020-21 and noted that the expense figures have been correctly considered by AAI. Further, it was noted that the O&M expenses approved by AERA in the tariff order for the Second Control Period for Goa Airport was for ₹ 195.90 Crores (refer Table 15), against which actual expenses of ₹ 409.02 Crores (refer Table 16) was submitted by AAI for Goa Airport for true up of the Second Control Period. The Authority examined the above actual O&M expenses and approved ₹ 331.58 Crores (refer Table 19) to be trued up for the Second Control Period. However, AAI had submitted its O&M expenses for Goa International Airport for the Third Control Period for ₹ 658.94 Crores, which is 99% higher than the O&M expenses approved by the



Authority for true up of the Second Control Period (which is for ₹ 330.48 Crores).

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

- 9.2.2. The Authority examined the allocation of Operational and Maintenance expenses by AAI between Aeronautical and Non-aeronautical activities for Goa International Airport. The same has been explained in the following paragraphs.
- 9.2.3. AAI had segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-Aeronautical in the employee ratio of 95.65%: 4.35% which was derived based on the headcount of aeronautical and 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.
- 9.2.4. 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 96.15% 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 92.59%: 7.41% However, the Authority preferred to apportion the above expenses in the revised Terminal Building ratio of 92%:8%, as detailed in the Chapter on Allocation of assets (Chapter 5).

Payroll expenses

- 9.2.6. AAI considered a growth rate of 7% in payroll expenses for the period 2021-22 and 2022-23 and an additional 10% increase had been made to the FY 2023-24. It was noted that the additional increase in growth rate has been proposed by AAI due to extension of Terminal Building. 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 6% year on year in payroll expenses for the Third Control period beginning from FY 2021-22, as was also considered for similar AAI Airports. The above restriction in the growth rate in payroll expenses, is being proposed with the perspective of rationalising the costs of the Airport. Also, as there is no increase in manpower deployed for the maintenance of the extended Terminal Building, the Authority proposed to consider the growth rate of only 6% of payroll expenses other than CHQ and RHQ, for all the 5 years in the Third Control Period.

CHQ/ RHQ Administration and General expenses

- 9.2.7. The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Goa International Airport for the Third Control Period. Based on the methodology explained under para 3.6.4, the Authority had derived the allocable expenses of CHQ and RHQ to Goa 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 58.

Repairs and Maintenance expenses

- 9.2.8. The Authority noted that AAI has proposed an increase in repairs and maintenance costs by 40% in the FY 2023-24 on account of the following:
- AAI had proposed to charge off the interest cost on debts availed for extension of Terminal



Building and the maintenance cost on the extended Terminal Building (₹ 0.73 crores per annum as per the terms of the Contract), under operational and maintenance expenses from the FY 2023-24 onwards, post capitalisation of the extension of the Terminal Building.

- The Authority had re-computed the total interest costs for extension of Terminal Building (after excluding the interest costs on debts proposed for Apron, which had already been capitalized in the Second Control Period).
- Further, as the Authority proposed to shift the capitalisation of the costs of extension of Terminal Building to the FY 2024-25 (as mentioned in para 5.2.8.1), it has included the interest costs (IDC) as part of capitalisation costs of the asset. The interest costs of the debts availed for extension of the Terminal Building only pertaining to the FY 2025-26 (of ₹ 3.58 crores) had been included under Repairs and Maintenance. The Authority was of the view that the said interest costs should be accounted separately as financial costs. Also, the Authority had included the maintenance costs (₹ 0.73 crores per annum) of the extended Terminal Building from the FY 2025-26, post capitalisation of the cost of the extended Terminal Building in the FY 2024-25.
- The Authority noted that AAI has proposed an increase of 10% year- on- year on civil, electrical and other repairs for the Third Control Period. The Authority was of the view that Goa International Airport is extending its Terminal Building and had installed/ proposed to install new electrical fittings during the Third Control Period. As most of these assets are newly constructed/ installed and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposed to increase repairs and maintenance costs year-on-year by 6% instead of 10%, as proposed by AAI.

Administration and General expenses (other than CHQ/ RHQ, upkeep and CSR expenses)

- 9.2.9. The Authority noted that AAI had projected a 10% increase in Administration and General expenses (other than CHQ/ RHQ, Upkeep and CSR expenses) year-on-year and an additional 10% increase in FY 2023-24 due to operationalisation of the extended Terminal Building in the FY 2022-23. However, as the Authority had shifted the capitalisation of extended Terminal Building to FY 2024-25, it proposed to consider only 10% increase in Administration and General expenses (other than CHQ/ RHQ, Upkeep and CSR expenses) year-on-year for the Third Control Period.

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% of the total power costs). The Authority noted that the power recovery percentage is significantly lower than that of comparable airports. The Authority was of the view that with the gradual increase in the Non-aeronautical operations, AAI should increase the power recovery from the Concessionaires. Accordingly, the Authority proposed to consider power recoveries at a notional rate of 25% in the tariff order of the Third Control Period. The Authority had invited stakeholder comments on the same and proposed to analyse this further in the Tariff Order for the Third Control Period.

The Authority noted that AAI had increased the net power costs of FY 2020-21 by 3% year-on-year for the Third Control Period. Further, AAI had proposed a 10% increase in FY 2023-24, due to operationalisation of the extended Terminal Building in FY 2022-23. However, as the Authority had shifted the capitalisation of extended Terminal Building to FY 2024-25, it



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proposed to consider only 3% increase in power expenses across all the 5 tariff years in the Third Control Period.

- **Water charges:** AAI had assumed 0% increase in water charges for the first 2 tariff years in Third Control Period and had projected 10% increase in the water costs for FY 2023-24 due to operationalisation of the extended Terminal Building in FY 2022-23. However, as the Authority had shifted the capitalisation of extended Terminal Building to FY 2024-25, it proposed to consider 0% increase in water expenses across all the 5 tariff years in the Third Control Period.

Upkeep expenses

- 9.2.11. 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 was 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.
- 9.2.12. The Authority noted that AAI had proposed an increase in upkeep expenses for FY 2023-24 due to operationalisation of the extended Terminal Building, wherein there is an increase in the space by 18,300 Sq.m. The Authority also noted that the upkeep expenses pertaining to the extended Terminal Building had been derived by AAI on a proportionate basis considering the existing land area and the cost per Sq.m. The Authority considered the above basis and assumptions followed by AAI to be reasonable. However, as discussed in para 5.2.8.1, the Authority had shifted the cost of capitalisation of the extended Terminal Building to the FY 2024-25. Accordingly, the Authority proposed to shift the above increase in upkeep expenses of the extended Terminal Building to FY 2025-26, as the same would take effect only after the completion of the extended Terminal Building which had been proposed to be completed only by FY 2024-25.

Collection charges on UDF

- 9.2.13. 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 had proposed to consider the growth rate of UDF collection changes based on growth in passenger traffic.

CSR expenses

- 9.2.14. AAI had projected ₹ 4.98 Crores as contribution towards CSR expenses (shown as part of other expenses under Administration and General expenses). The Authority examined AAI's submission regarding CSR expenses under Admin & General expenses and had 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 is shown in the table below:



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Table 57: 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	151.90	149.67	49.37	85.58	123.16	171.04	213.43	261.11	
Non-aeronautical revenues (30% considered for Hybrid till)	26.56	33.37	2.76	7.40	12.25	16.86	19.52	22.49	
Total revenues = (a)	178.46	183.05	52.13	92.98	135.41	187.90	232.94	283.60	
Operating expenses (other than CSR included in Admin & Gen Expenses)	89.53	100.93	102.77	92.10	97.1	102.42	108.00	119.95	
Depreciation	18.41	21.70	24.84	26.17	26.43	27.03	29.82	35.43	
Working Capital Interest	-	-	-	-	0.42	-	-	-	0.42
Total expenses = (b)	107.94	122.64	127.61	118.27	123.95	129.45	137.82	155.38	
Regulatory profit before tax (a-b)	70.52	60.41	(75.48)	(25.29)	11.47	58.45	95.12	128.22	
Average of previous 3 FY's		24.19	43.57	18.48	(13.45)	(29.77)	14.88	55.01	
2.00% of the average PBT (mandatory spend value) = (c)		0.48	0.87	0.37	-	-	0.30	1.10	
Amount proposed to be spent on CSR = (d)		0.35	0.74	0.81	0.90	0.99	1.08	1.19	
Amount higher than the mandatory spends = (d-c)		-	-	0.45	0.90	0.99	-	-	2.34
Amount allowed by the Authority towards CSR				0.37	-	-	0.30	1.10	1.77

As shown in the above table, the Authority proposed to allow ₹ 1.77 Crores towards CSR expenses for the Third Control Period for Goa International Airport.

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

Table 58: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Third Control Period at the Consultation stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Costs - Excluding CHQ/RHQ	13.74	14.57	15.51	16.45	17.43	77.70
Payroll Costs - CHQ/RHQ	1.29	1.35	1.42	1.49	1.57	7.12
Repair & Maintenance	19.65	20.85	22.10	23.42	29.13	115.15
Utilities & Outsourcing Expenses	10.41	10.71	11.02	11.34	11.67	55.15
Upkeep Expenses	5.19	5.44	5.71	5.99	8.05	30.37



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Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Admin. & Other Expenses - Excluding CHQ/RHQ, Upkeep expenses and other expenses	4.79	5.28	5.80	6.39	7.02	29.29
Other expenses – Admin and Gen (including CSR expenses)	0.40	0.02	0.03	0.33	1.14	1.92
Admin. & Other Expenses - CHQ/RHQ	36.96	38.81	40.75	42.79	44.93	204.24
Other Outflows	0.07	0.09	0.11	0.13	0.15	0.55
Total O&M Expenditure	92.50	97.12	102.45	108.33	121.09	521.49

9.2.16. Based on above considerations, the Authority proposed the following growth rates in Operation and Maintenance expenses, as compared to the previous year's actuals/ projections.

Table 59: Growth rates in O&M expenses considered by the Authority for the Third Control Period at the Consultation stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Payroll Costs - Excluding CHQ/RHQ	6%	6%	6%	6%	6%
Payroll Costs - CHQ/RHQ	5%	5%	5%	5%	5%
Repair & Maintenance	6%	6%	6%	6%	24%
Utilities & Outsourcing Expenses	3%	3%	3%	3%	3%
Upkeep Expenses	4.9%	4.9%	4.9%	4.9%	35%
Administration & General Expenses - Excluding CHQ/RHQ, Upkeep and other expenses	10%	10%	10%	10%	10%
Administration & General Expenses - CHQ/RHQ	5%	5%	5%	5%	5%
Other Outflows	70%	29%	26%	16%	15%

9.3 Stakeholders' comments on Operation and Maintenance Expenditure 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. 29/2021-22 with respect to Operation and Maintenance Expenditure for the Third Control Period. The comments by stakeholders are presented below:

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

9.3.2. AAI has commented the following:

i. Payroll costs

- 7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, and quarterly increase in DA and Employer contribution to PF. The figures for the F.Y. 2020-21 are actual as submitted by on 24.12.2021 in r/o Pune Airport. (for Illustration)
- The following illustration clearly shows that there is an average 7% increase in the Payroll expenditure.



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Calculation of incremental increase in Salary (in %age terms) (in ₹)								
Particulars	Per Month	Salary Year 1	Q1	Q2	Q3	Q4	Salary Year 2	Yearly Incremental
Basic Pay	10,000	1,20,000	30,900	30,900	30,900	30,900	1,23,600	3,600
DA	1,800	21,600	6,798	7,725	8,343	8,652	31,518	9,918
HRA	2,700	32,400	8,343	8,343	8,343	8,343	33,372	972
PERKS	3,500	42,000	10,815	10,815	10,815	10,815	43,260	1,260
EPF	1,200	14,400	3,708	3,708	3,708	3,708	14,832	432
Total	19200	230400	60564	61491	62109	62418	246582	16182

Particulars	%age Increase				
DA	18%	22%	25%	27%	28%
HRA	27%	27%	27%	27%	27%
Perks	35%	35%	35%	35%	35%
EPF	12%	12%	12%	12%	12%

Total Increase (in ₹.) – 16,182

% increase – 7.02%

• **Assumptions:**

Year 1 Means Previous Year

Year 2 Means Current Year

Basic Pay – 3% yearly increase considered.

Dearness Allowance- Quarterly increase considered.

HRA, Perks & EPF – Considered Constant

- *In the abovementioned example, the Salary expenditure for Year 1 shown as Rs. 230400/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 246582/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 16182/- per employee which comes out to 7.02% on Year-on-Year basis.*
 - *AAI requests AERA to consider 7% increase on Year-on-Year basis for the Third Control Period to maintain consistency and also allow 10% additional increase in FY2023-24 as the expansion of Terminal Building will be completed by March 2023 and additional employees will be required for smooth functioning of operation.*
- ii. CHQ & RHQ – Admn. Expenses**
- *AAI had submitted the Revised CHQ & RHQ Allocation for the F.Y. 2016-17, 2017-18, 2018-19, 2019-20 & 2020-21 to AERA vide e-mail dated December 24, 2021. Also refer detailed workings provided at the pre-page note of CHQ & RHQ Expenses. AAI requests AERA to consider the revised amount of allocations during these years as proposed by AAI.*



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(₹ in Crores)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Actual Amount	34.64	26.67	48.87	80.17	42.22

iii. R & M Expenses

- The work of Expansion of Existing Terminal Building is delayed basically due to delay in issue of Environmental Clearance by MoEF, COVID pandemic and extended rain. At present the work is in full swing and presently progress is 17% and will be completed as scheduled Date of Completion i.e. March 31, 2023. Hence AERA is requested to consider the Financing cost of Rs. 13.62Cr (post capitalization) for FY2023-24 to FY2025-26.
- R&M Electrical & Electronics includes Manpower (Operators) and to be payable as per the minimum wage of the state Govt and additional manpower will be required for the equipment installed at expansion area.
- Some Expenses are of Revenue Nature to be charged off as per the Accounting policy e.g. Renovation of Toilet & Floor tiles etc.
- AERA is requested to consider 10% increase year on year instead of 6% and also allow additional increase of 10% in FY2023-24 due to operationalization of expanded area of TB.

iv. General & Administration Expenses (Other than CHQ/RHQ, Upkeep & CSR Expenses)

- The Authority has proposed to allow an increase of 10% over the approved costs of ₹16.10 Crores towards Administration expenses- other than CHQ/ RHQ (which works out to ₹17.71 Crores) while triuing up for the 2nd Control Period against the actual Expanses of Rs. 36.54cr.
- AAI requests AERA to consider the Actual Expanses of Rs. 36.54 cr for the 2nd Control period and allow 10% increase YOY on actual expanses FY2020-21(base year) in Administration and General expenses (other than CHQ/ RHQ, Upkeep and CSR expenses) for the Third Control Period as proposed by AAI.

v. Utility Expenses

- AAI requests AERA to consider additional 10% increase in Power & Water charges in FY2023-24 due to expansion of Terminal Building as more IT & Electrical equipment will require more electricity proportionate with increase in area.

vi. General & Administration Expenses - Upkeep expenses

- Projection for the 2nd control period was done based on existing contract @ Rs.7.15 lacs pm for 36 months award in FY2014.
- Further, new contract was awarded on March 2017 @ Rs.30.88 lacs pm (cost increase due to cost inflation and new area included-Admn Block, paved area city side and airside).
- Recently the New contract has been awarded on Sept 2020 @ Rs.41.47lacs pm for 36 months.
- The upkeep expenses are merely not linked with the area of building but there are other factors like cleaning with modern and high technology equipment, wages of the labor, escalations in the prices of the materials, cleaning of Transparent Glass Facades, Ceilings, COVID-19 protocols etc. The minimum wages of labor play an important role in deciding the upkeep expenses at airport.
- The Upkeep expenses cost are arrived by the approved tendering process and are market driven



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and may not with the approved fixed percentage(%) as considered by AERA.

Therefore, AAI requests AERA to allow the expenditure as submitted by AAI instead of restricting it to inflation of 4.9% from F.Y. 2021-22 and thereafter and also requests to consider revised PDC of Expansion of Existing Terminal Building(March2023) and allow propionate increase in Upkeep Expenses as proposed by AAI.

vii. UDF Collection Charges

- *AAI requests AERA to consider the traffic as per AAI submission and according consider the UDF Collection Charges.*

viii. CSR Expenses

- *As per the provisions of Section 135 of the Act, the Companies (CSR Policy) Rules, 2014 and the DPE Guidelines, 2014, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.*
- *It is to be noted that CSR costs are allocated to a station from 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. In this regard it is further added that a CSR committee headed by Chairman has been constituted by AAI Board for recommendation of the activities for CSR for AAI as a whole based on the profitability of AAI as a whole.*
- *The CSR Cost for TCP is required to be considered on the same lines as proposed by AAI.*

Other Stakeholder's comments on Operation and Maintenance Expenditure for the Third Control Period

9.3.3. FIA has commented the following:

"As per Para 4.2.2 (decision 11b) & Table 15 of the CP, AERA has itself observed that it expected Goa Airport to reduce O&M expenditure over a period of time.

However, as can be observed from Para 9.2.2, despite the directions of AERA, no such reduction in O&M expenses have taken place and on the contrary, as per para 10.2.15 and Table 46 of the CP, a further increase is proposed in O&M expenditure for Third Control Period.

In view of the above, we request AERA to:

- Put on hold any increase in operational expenditure by Goa Airport;*
- Advise Goa 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 Goa Airport. It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially. Accordingly, Goa Airport needs to significantly reduce all such costs by at least 35% and further no escalation should be permitted; and*
- In view of the above, Goa Airport should be directed to pass on cost benefits to the airlines.*
- In particular, we submit that:*
 - 1. Instead of a significant reduction in cost items of operating expenses, AERA has proposed a Y-O-Y percentage increase of around 6% on Payroll and Repair & Maintenance, and 5-10% in Administration and General Expenses. Such an increase in the name of escalation,*



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in a highly uncertain environment, where airlines are operating under curtailed operations, appears to be without any rationale and should be avoided.

2. *Upkeep and Utility expenses: Although the activity level has gone down drastically, rather than significant reduction in the cost, the Upkeep Expenses as proposed by AERA are to increase Y-O-Y each year by 4.9% other than 2025-26, for which it will be an exceptional 35%. This exceptional increase should be avoided.*
3. *Expenses on account of CSR as given in Para 10.2.14 and Table 45 of the CP may be excluded. This will be in line with the similar treatment of CSR expenditure given to CIAL at Cochin International Airport.*

Accordingly, we submit that while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, Goa Airport on the other hand seems to have paid/will pay incremental salaries which may not appear prudent considering the significant losses incurred by the aviation sector.

It appears that Goa 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 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, particularly in view of the new MoPA airport coming up soon.

Without prejudice to the above, Goa Airport needs to considerably restructure its employee benefit expenses and other expenses and hold any revisions at least for the next two (2) years to three (3) years."

9.4 AAI's response to stakeholders' comments on Operation and Maintenance Expenditure for the Third Control Period

9.4.1. AAI has responded to FIA's comments as under:

"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 and approving authorities. Further, the airports are subject to C&AG audit on a yearly basis.

- i. **Payroll:** *7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, and quarterly increase in DA and Employer contribution to PF. The figures for the F.Y. 2020-21 are actual as submitted by on December 24, 2021 in respect of Pune Airport. (Refer para 9.3.2 of this Tariff Order for Illustration).*

In the illustration shown in para 9.3.2 of this Tariff Order, the Salary expenditure for Year 1 is as Rs. 230400/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 246582/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 16182/- per employee which comes out to 7.02% on Year-on-Year basis.

AAI requests AERA to consider 7% increase on Year-on-Year basis for the Third Control Period to maintain consistency and also allow 10% additional increase in FY2023-24 as the expansion of Terminal Building will be completed by March 2023 and additional employees will be required for smooth functioning of operation. The work of Expansion of Existing Terminal Building is delayed basically due to delay in issue of Environmental Clearance by MoEF, COVID pandemic and extended rain. At present the work is in full swing and presently progress is 17% and will be completed as scheduled Date of Completion i.e. March 31, 2023.



ii. R&M Electrical:

R&M Electrical & Electronics includes Manpower (Operators) and to be payable as per the minimum wage of the state Govt and additional manpower will be required for the equipment installed at expansion area.

Some Expenses are of Revenue Nature to be charged off as per the Accounting policy e.g. Renovation of Toilet & Floor tiles etc.

AERA is requested to consider 10% increase year on year instead of 6% and also allow additional increase of 10% in FY2023-24 due to operationalization of expanded area of Terminal Building.

iii. Upkeep Expenses:

Projection for the 2nd control period was done based on existing contract @ Rs.7.15 lacs pm for 36 months award in FY 2014.

Further, new contract was awarded on March 2017 @ Rs.30.88 lacs pm (cost increase due to cost inflation and new area included-Admn Block, paved area city side and airside).

Recently the New contract has been awarded on Sept 2020 @ Rs.41.47lacs pm for 36 months.

The upkeep expenses are merely not linked with the area of building but there are other factors like cleaning with modern and high technology equipment, wages of the labor, escalations in the prices of the materials, cleaning of Transparent Glass Facades, Ceilings, COVID-19 protocols etc. The minimum wages of labor play an important role in deciding the upkeep expenses at airport.

The Upkeep expenses cost are arrived by the approved tendering process and are market driven and may not with the approved fixed percentage (%) as considered by AERA.

Therefore, AAI requests AERA to allow the expenditure as submitted by AAI instead of restricting it to inflation of 4.9% from F.Y. 2021-22 and thereafter and also requests to consider revised PDC of Expansion of Existing Terminal Building (March2023) and allow propionate increase in Upkeep Exp as proposed by AAI.

iv. CSR:

In accordance with the requirements of the DPE guidelines on CSR and Sustainability and Section 135 of the Companies Act, 2013, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.

AAI has constituted a CSR Committee. The composition and terms of reference of the CSR Committee is provided in the Report on Corporate Governance, which forms part of this Annual Report. AAI has also formulated a Corporate Social Responsibility Policy, which is available on AAI's website.

The overview of various CSR projects and program undertaken by AAI and detail amount spent on CSR across India in different projects are there in the Annual Report at AAI website.

CSR Budget will be utilized for implementing CSR projects approved by the Board on an annual basis. The budget allocation to the CSR Schemes shall be made in the beginning of every financial year after considering the CSR budget for that year. AAI is committed to play a larger role in India's sustainable development by embedding wider economic, social and environmental objectives.



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CSR provisions are made on the basis of 2% of Average profits of preceding 3 financial years at Corporate Headquarter Level.

In view of above, like income tax reimbursement it is requested to reimburse an amount of Rs. 498 lakhs for Goa Airport during 2nd control period on account of CSR Expenditure.

AERA is requested to consider the submission made by AAI regarding Opex."

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

Payroll costs

- 9.5.1. The Authority notes AAI's comments, explanation and the illustration given by AAI for annual growth in Payroll Expenditure. However, the Authority decides to consider a growth rate of 6% year on year in payroll expenses for the Third Control period beginning from FY 2021-22 (taking FY 2020-21 as the base), as considered for other similar AAI Airports.
- 9.5.2. The above growth rate in payroll expenses, was proposed by the Authority at the Consultation stage, with the perspective of rationalising the costs of the Airport. Also, as there is no increase in manpower deployed for the maintenance of the extended Terminal Building, the Authority decides to consider the growth rate of only 6% of payroll expenses for all the 5 tariff years of the Third Control Period.

CHQ/ RHQ Administration expenses

- 9.5.3. The Authority has provided its views and detailed explanation on allocation of CHQ/ RHQ Administration expenses in para 3.6.14 to 3.6.18 of this Tariff Order. The Authority has estimated CHQ/RHQ expense for FY 2021-22 by increasing the CHQ/ RHQ expense of FY 2019-20 by 5%. Thereafter, the allocable expenses of CHQ and RHQ to Goa International Airport for the remaining tariff years of the Third Control Period has been derived by the Authority by escalating the spend for each tariff year by 5% based on the CHQ/ RHQ expenses allocated for FY 2021-22. The Authority may true up CHQ/RHQ expenses subject to the maximum ceiling of 10% increase while determining tariff for the next control period.

R&M expenses

- 9.5.4. As stated in Para No. 5.5.5 of the Tariff Order, the Authority has decided to shift the capitalisation of the extended Terminal Building to FY 2023-24. Interest during construction is paid separately and the same after capitalisation of the asset is factored in the FRoR.

Hence, the Authority has excluded the interest costs on debts considered by AAI under Repairs and Maintenance, post capitalisation of the extended Terminal Building.

- 9.5.5. Also, as stated by the Authority at Consultation stage, it decides to increase repairs and maintenance costs by 6% year-on-year instead of 10%, as proposed by AAI, as most of the assets are newly constructed/ installed and covered under warranty clauses. They may need only minimum repairs and maintenance.

Utilities expenses

- 9.5.6. As stated in Para No. 5.5.5 of this Tariff Order, the Authority has decided to shift the capitalisation of the extended Terminal Building to FY 2023-24 and accordingly it has decided to consider 10% increase in the power and water costs for FY 2024-25, after capitalisation of Terminal Building in



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FY 2023-24.

Upkeep expenses

- 9.5.7. The Authority has reviewed AAI's comments on Upkeep expenses and reiterates its views as explained in Para No. 9.2.11 of this Tariff Order. Further, as stated in Para No. 5.5.5 of this Tariff Order, the Authority has decided to shift the capitalisation of the extended Terminal Building to FY 2023-24 and accordingly it decides to consider proportionate increase in Upkeep Expenses in FY 2024-25 after operationalization of the extended Terminal Building in FY 2023-24.

Administration and General expenses (other than CHQ/ RHQ, upkeep and CSR expenses)

- 9.5.8. The Authority decides to consider 4.9% increase in Administration and General expenses (other than CHQ/ RHQ, upkeep and CSR expenses) Y-o-Y towards inflationary effect. Further, it decides to consider 10% increase in FY 2024-25 due to operationalisation of the extended Terminal Building in the FY 2023-24.

UDF collection charges

- 9.5.9. The Authority notes AAI's comment on considering UDF Collection charges as submitted by AAI. The Authority has calculated collection charges based on its revised traffic forecasts as presented in Table 28 of this Tariff Order. It is based on same method applied by AAI in its MYTP submission.

CSR expenses

- 9.5.10. The Authority has reviewed the CSR spend allocated to Goa 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.
- 9.5.11. The Authority has re-computed the allowable CSR expense by excluding Non-aeronautical revenue (instead of 30% Non-aeronautical revenues, considered at Consultation stage), consistent with the methodology followed at other similar airports. The re-computed CSR expense decided by the Authority is as follows:

Table 60: CSR expenses decided by the Authority for Goa International Airport for the Third Control Period

(₹ in 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 (a)	151.90	149.67	49.37	91.83	128.97	193.17	258.19	339.93	
Operating expenses (other than CSR included in Admin & Gen Expenses)	89.53	100.93	102.77	90.52	95.17	100.13	109.08	114.62	
Depreciation	18.41	21.70	24.84	25.75	26.43	35.08	41.96	41.96	
Working Capital Interest	-	-	-	0.24	-	-	-	-	0.24
Total expenses = (b)	107.94	122.64	127.61	116.51	121.60	135.21	151.04	156.58	
Regulatory profit before tax (a-b)	43.95	27.04	(78.24)	(24.68)	7.37	57.96	107.15	183.34	



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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
Average of previous 3 FY's				(2.41)	(25.29)	(31.85)	13.55	57.49	
2.00% of the average PBT (mandatory spend value) = (c)				-	-	-	0.27	1.15	
Amount proposed to be spent on CSR = (d)				0.81	0.90	0.99	1.08	1.19	4.98
Amount higher than the mandatory spends = (d-c)		-	-	0.81	0.90	0.99	0.81	0.04	3.55
Amount allowed by the Authority towards CSR				0.00	0.00	0.00	0.27	1.15	1.42

9.5.12. The Authority has reviewed the comments of FIA and counter comments of AAI thereon.

9.5.13. While the Authority has noted the views of AAI, the Authority expects from AAI to review and rationalize the operational and maintenance costs. Also, the Authority has stated its views in the para no. 9.2.6 to 9.2.14 of Tariff order regarding rationalization of CHQ/ RHQ admin expenses allocation to the Airport, Repairs and Maintenance, Payroll, Upkeep expenses of the Goa International Airport.

9.5.14. Based on the above analysis, the Authority has re-computed O&M expenses of Goa International Airport for the Third Control Period as under:

Table 61: O&M expenses decided by the Authority for Goa International Airport for the Third Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Costs - Excluding CHQ/RHQ	13.74	14.57	15.51	16.45	17.43	77.70
Payroll Costs - CHQ/RHQ	1.29	1.35	1.42	1.49	1.57	7.12
Repair & Maintenance	19.65	20.85	22.10	24.15	25.55	112.30
Utilities & Outsourcing Expenses	10.41	10.71	11.02	12.44	12.8	57.38
Upkeep Expenses	5.19	5.44	5.71	7.68	8.05	32.07
Admin. & Other Expenses - Excluding CHQ/RHQ, Upkeep expenses and other expenses	4.57	4.80	5.03	5.54	5.81	25.75
Other expenses – Admin and Gen (including CSR expenses)	0.03	0.02	0.03	0.30	1.19	1.57
Admin. & Other Expenses - CHQ/RHQ	35.56	37.34	39.20	41.17	43.22	196.49
Other Outflows	0.08	0.09	0.11	0.13	0.15	0.56
Total O&M Expenditure	90.52	95.17	100.13	109.35	115.77	510.94

The variance between O&M expenses shown in the Tariff Order and that shown in Consultation Paper No. 29/ 2021-22 is on account of the following:

- I. Decrease in Repairs and Maintenance expenses by ₹ 2.85 Crores, on account of excluding interest costs of debts after capitalisation of Terminal Building in FY 2023-24.



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2. Increase in utilities cost by ₹ 2.23 crores, by allowing one time increase of 10% in power and water costs in FY 2024-25 due to operationalization of extended Terminal Building in FY 2023-24.
3. Increase in Upkeep expenses by ₹ 1.70 crores, on account of allowing proportionate increase in the upkeep of the extended area in FY 2024-25 due to operationalization of extended Terminal Building in FY 2023-24.
4. Decrease in Administration and General expenses (other than CHQ/ RHQ) by ₹ 3.54 crores.
5. Decrease in CSR expenses by ₹ 0.35 Crores.
6. Decrease in CHQ/ RHQ Administration expenses by ₹7.75 crores, as the same is computed based on CHQ/ RHQ expense of FY 2019-20.

9.6 Authority's decision regarding O&M 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 O&M expenses for the Third Control Period for Goa Airport as per Table 6I.



10. TAXATION FOR THE THIRD CONTROL PERIOD**10.1 AAI's submission on Taxation for Goa 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 Goa International Airport are shown in the table below:

Table 62: Taxation submitted by AAI for Goa 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	109.94	192.15	313.96	534.45	878.28	2,028.78
O&M expenses	109.55	116.70	136.31	144.01	152.38	658.95
Interest on working capital	1.14	-	-	-	-	1.14
Depreciation	48.65	56.16	51.49	46.00	40.91	243.21
Profit Before Tax	(49.41)	19.29	126.16	344.43	685.00	1,125.48
Set-off of prior period tax losses	-	(19.29)	(126.16)	(16.44)	-	(161.89)
PBT after set-off of prior period losses	(49.41)	-	-	328.00	685.00	851.09
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	-	-	82.56	172.41	254.97

10.2 Authority's examination regarding Taxation for the Third Control Period at Consultation stage

10.2.1. The Authority noted that Goa International Airport had 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 summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

Table 63: Aeronautical Taxation proposed by the Authority for the Third Control Period at the 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	85.57	123.16	171.04	213.43	261.11	854.32
O&M expenses (including interest on working capital)	92.92	97.12	102.45	108.33	121.09	521.91
Depreciation	36.34	33.93	31.25	35.21	41.53	178.26
Profit Before Tax	(43.68)	(7.88)	37.34	69.88	98.49	154.15
Prior period tax losses of First and Second Control Period (<i>Refer Note</i>)	(109.92)					
Set-off of prior period tax losses	-	-	(37.34)	(69.88)	(54.25)	
PBT after set-off of prior period tax losses	-	-	-	-	44.24	44.24
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	-	-	-	11.13	11.13



Note: Prior period losses of ₹109.92 Crores include losses incurred during the Financial Years from FY 2013-14 up to FY 2020-21.

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 Goa International Airport and the same is presented in the table below:

Table 64: Aeronautical taxation decided by the Authority for the Third Control Period

Particulars	(₹ Crores)					Total
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	
Aeronautical Revenue with Revised Rates	91.83	128.97	193.17	258.19	339.93	1012.09
O&M expenses (including interest on working capital)	90.76	95.17	100.13	109.35	115.77	511.18
Depreciation	36.28	33.87	48.80	54.10	41.23	214.28
Profit Before Tax	(35.21)	(0.07)	44.25	94.74	182.93	286.63
Prior period tax losses of First and Second Control Period*	(109.92)					
Set-off of prior period tax losses	-	-	(44.25)	(94.74)	(6.21)	
PBT after set-off of prior period tax losses	-	-	-	-	176.72	176.72
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	-	-	-	44.48	44.48

* Prior period losses of ₹109.92 Crores include losses incurred during the Financial Years from FY 2013-14 up to FY 2020-21.

Note: The difference between taxation derived in this Tariff Order (₹ 44.48 Crores) and that shown in Consultation Paper No. 29/ 2021-22 is on account of revised O&M expenses derived by the Authority as per Table 61, Aeronautical revenue derived as per Table 78 and depreciation derived for Third Control Period as per Income Tax Act, 1961 after considering the changes in the capitalisation schedule as discussed in Para No.5.5.5 of this Tariff Order.

10.5 Authority's decision regarding Taxation for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Tax Expense for the Third Control Period.

10.5.1. The Authority decides to consider the Taxation for the Third Control Period for Goa Airport as per Table 64.



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

11.1.1 AAI has claimed the following Return on Land cost for Goa International Airport for the Third Control Period:

Table 65: AAI's submission of Return on Land for Goa International Airport 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)	1.60	1.60	1.60	1.60	1.60	
Rate of Return	10.29%	10.29%	10.29%	10.29%	10.29%	
Return Value (₹ Crores)	0.0112	0.0123	0.0136	0.0150	0.0165	0.0687

11.2 Authority's examination regarding Return on land cost for the Third Control Period at Consultation stage

11.2.1. Authority noted that the land in which the Goa International Airport had been constructed was handed over by Indian Navy at free of cost and AAI had not claimed any return on this land. Further, the State Government had handed over 25,395 Sq.m. of land for ₹ 1.73 Crores to AAI as per details given below:

- 19,495 Sq.m. for construction of CISF Barrack.
- 5,900 Sq.m. for construction of Security Hut, Left Luggage Room, Drivers room, Canteen & Bus parking.

11.2.2. AAI had submitted in the MYTP for Goa International Airport that the total land area handed over by State Govt. as 42,715 Sq.m, out of which car parking area (Non-aeronautical area) is 3,300 Sq.m. and the balance land area of 39,415 Sq.m. had been used for Aeronautical purposes.

11.2.3. However, the Authority during its review noted that the above land area considered by AAI in the MYTP was based on estimates and that the actual land area purchased from State Government was for only 25,395 Sq. m.

11.2.4. The Authority had summarized its analysis of the usage of the above land as per the table below:

Table 66: Authority's analysis of usage of land by Goa International Airport at the Consultation stage

Particulars	(Area in Sq.m.)	Classification	Land Area used for Aeronautical activities
Total Land area (in Sq.m.) = (a)	25,395		
Land used for other purposes such as			
• Car Parking	5,900	Non - Aeronautical	0
• Construction of Security Hut			
• Left luggage room			
• Toilet Block			
Land used for other purposes such as			
• CISF Barracks Area	19,495	Aeronautical	19,495
• Air side apron, taxi track, basic strip and other areas			
• Flyover/road area city side			
Total	25,395		19,495



RETURN ON LAND COST FOR THE THIRD CONTROL PERIOD

- 11.2.5. 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 19,495 Sq. m is used for Aeronautical activities (as per Table 66) and the same was proposed to be considered by the Authority for providing return on 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 that AAI had considered 10.29% (SBI base rate plus 2%) for computing Return on Land. However, the Authority proposed to consider cost of debt at 6.21% (as the debts are consolidated at CHQ level) for computing the Return on Land, as the same was lower than the SBI rate plus 2%.
- 11.2.8. Based on the above observations, the Authority had re-computed the Return on the cost of Land as follows:

Table 67: Return on cost of land recomputed by the Authority for the Third Control Period at the Consultation stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land Value (₹ Crores)	1.33	1.33	1.33	1.33	1.33	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value* (₹ Crores)	0.02	0.02	0.02	0.02	0.02	0.10

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

$$\text{Equated Annual Instalment} = [\text{Cost} * \text{Rate} * (1 + \text{Rate})^{30}] / [(1 + \text{Rate})^{30} - 1]$$

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. 29/2021-22 with respect to Return on Land Cost for the Third Control Period. The comments by stakeholders are presented below:

AAI's comments on Return on Land Cost for the Third Control Period

- 11.3.2. AAI has commented the following:

- As per the Land Return Order No.42/2018-19, the compensation will be 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.
- AAI had acquired 25,395 Sq.m of land for Rs.1.73 cr on March 2019 from the State Govt from Equity fund out of which 5900 Sq.m is used for Car Parking, Security Hut Left Luggage Room and Toilet Block and rest 19495 Sq.m for Aeronautical activities. AERA had taken 6.21% cost of debt instead of SBI rate plus 2%. However, AAI had not taken loan for acquisition of Land. Hence SBI rate plus 2% may be taken for calculating return on land. The comparison of equated annual installment is as under:
- Return Value = Equated annual installment = $[\text{Cost} * \text{Rate} * (1 + \text{Rate})^{30}] / [(1 + \text{Rate})^{30} - 1]$



RETURN ON LAND COST FOR THE THIRD CONTROL PERIOD

<u>As Per AAI</u>	<u>As per AERA</u>
Cost 1.33 cr. (Rs. 1,32,80,705/-Proportionate)	Cost 1.33 cr. (Rs. 1,32,80,705/-Proportionate)
Rate 10.29% (SBI+2%)	Rate 6.21%
$=1.33*10.29*(1+10.29)^{30}/[(1+10.29)^{30}-1]$	$=1.33*6.21*(1+6.21)^{30}/[(1+6.21)^{30}-1]$
=Rs. Rs.1442422/- or Rs.0.14cr.	=Rs. Rs.986608/- or Rs.0.09cr
=Rs.0.72 cr. For the 3 rd CP	=Rs.0.49 cr. For the 3 rd CP.

AERA is requested to consider Rs.0.72 cr. for the 3rd Control Period as calculated above. AAI had inadvertently shown amount of Rs. 0.07cr.

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

11.3.3. No comments were received from the other stakeholders on Return on Land for the Third Control Period.

11.4 Authority's analysis on Stakeholders' comments regarding Return on Land for the Third Control Period

11.4.1. The Authority has noted AAI's comments on the rate of return on Land. The Authority had considered the rate of return as 6.21% at Consultation stage, as the same is the cost of debt, availed at CHQ level. Further, this rate of return had been consistently applied for other similar airports of AAI.

11.4.2. The Authority has re-computed the return on land, based on the methodology defined in Order No. 42/ 2018-19 considering the above cost of debt and the same is as follows:

Table 68: Return on cost of land decided by the Authority for Goa International Airport 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)	1.33	1.33	1.33	1.33	1.33	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value* (₹ Crores)	0.09	0.09	0.09	0.09	0.09	0.45

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

Equated Annual Instalment = $[Cost*Rate*(1+Rate)^{30}/[(1+Rate)^{30}-1]]$

11.5 Authority's decisions relating to Return on Land 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:

11.5.1. To consider land area used for Aeronautical activities as per Table 66.

11.5.2. To consider Return on Land as per Table 68.



12. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD**12.1 AAI's submission relating to Quality of Service for Goa International Airport for the Third Control Period**

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

12.2 Authority's examination 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 Goa International Airport for the years 2017 to 2020 have been in the range of 4.56 to 4.92 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72.

Table 69: ASQ rating for Goa International Airport for the years 2017-2020

Year	ASQ rating
2017	4.56
2018	4.63
2019	4.65
2020	4.92

12.2.3. The Authority noted that the ASQ rating awarded to Goa International Airport is quite close to the average rating of the AAI airports.

12.2.4. Also, the Authority reviewed the MoU between AAI and MoCA for the FY 2019-20 and noted that the ASQ rating target for FY 2019-20 was 4.68. The actual ASQ rating achieved by Goa International Airport for FY 2019-20 was 4.92 (variance between actual and the target was 0.24).

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

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

12.3.1. No comments were received from the 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. 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 Goa 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 the Quality of Service.



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

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

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

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

Table 70: ARR submitted by AAI for Goa International Airport for the Third Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Average RAB	445.36	538.53	591.78	551.37	513.54	2,640.58
Fair Rate of Return	14%	14%	14%	14%	14%	14%
Return on average RAB	62.35	75.39	82.85	77.19	71.90	369.68
O&M expenses	109.54	116.69	136.31	144.01	152.38	658.94
Depreciation	30.92	40.36	46.35	40.20	37.55	195.38
Working capital interest	1.14	0.00	0.00	0.00	0.00	1.14
Return on Land	0.01	0.01	0.01	0.01	0.02	0.07
Tax expense	0.00	0.00	0.00	82.56	172.41	254.97
Less: 30% NAR	6.70	11.64	14.84	17.01	19.35	69.54
ARR per year (₹ Crores)	197.38	220.92	250.76	327.03	414.95	1,411.06
Discount factor (@ 14%)	1	0.88	0.77	0.68	0.59	
PV of ARR	197.38	193.79	192.95	220.74	245.69	1,050.56
Sum Present value of ARR (₹ Crores)	1,050.56					1,050.56
Add: True up shortfall of Second Control Period claimed by AAI	350.16					350.16
Total Traffic (million passengers)	16.64					16.64
Yield per passenger (YPP) (₹)	841.57					841.57

13.2 Authority's examination regarding 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 had proposed to consider the regulatory building blocks as discussed in the above chapters.

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 51, O&M expenditure derived as per Table 58 and the same is presented in Table 71.

13.2.3. After considering the above, the Authority proposed the following ARR and YPP, as presented in



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

the table below.

Table 71: ARR proposed to be considered by the Authority for the Third Control Period at the Consultation stage

(₹ Crores)

Particulars	Table Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB = A	38	407.19	404.74	396.89	445.38	505.91	
Fair Rate of Return = B	47	12.91%	12.91%	12.91%	12.91%	12.91%	
Return on average RAB C= A*B		52.57	52.25	51.24	57.50	65.31	278.87
O&M expenses – D	58	92.50	97.12	102.45	108.33	121.09	521.49
Depreciation – E	36	26.17	26.43	27.03	29.82	35.43	144.89
Working capital interest – F		0.42	0.00	0.00	0.00	0.00	0.42
Return on Land – G	67	0.02	0.02	0.02	0.02	0.02	0.10
Tax expense – H	63	0.00	0.00	0.00	0.00	11.13	11.13
ARR per year = SUM (C:H)		171.68	175.82	180.74	195.67	232.99	956.90
Shortfall carried forward from Second Control Period	22	232.22					
ARR – I		403.90	175.82	180.74	195.67	232.99	1,189.12
NAR	51	24.66	40.84	56.20	65.06	74.97	261.73
Less: 30% NAR – J		7.40	12.25	16.86	19.52	22.49	78.52
Net ARR = (I-J)		396.50	163.57	163.88	176.15	210.50	1,110.60
Discount factor (@ 12.91%)		1.00	0.89	0.78	0.69	0.62	
PV of ARR (₹ Crores)		396.50	146.11	128.55	122.37	129.51	923.04
Sum Present value of ARR (₹ Crores)		923.04					923.04
Total Traffic (million passengers)	27	39.44					39.44
Yield per passenger (₹)		468.07					468.07

13.3 Stakeholders' comments regarding ARR for the Third Control Period

13.3.1. No comments were received from the stakeholders regarding ARR for the Third Control Period.

13.4 Authority's analysis on Stakeholders comments regarding ARR for the Third Control Period

13.4.1 The Authority has noticed that there are no stakeholder's comments regarding ARR proposed for the Third Control Period. Based on its analysis and decisions on each of the regulatory building blocks, the Authority has recomputed the ARR and the same is presented in the table below:



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

Table 72: 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	41	409.88	407.64	493.38	555.11	514.15	
Fair Rate of Return = B	48	12.52%	12.52%	12.52%	12.52%	12.52%	
Return on average RAB C= A*B		51.32	51.04	61.77	69.50	64.37	298.00
O&M expenses – D	61	90.52	95.17	100.13	109.35	115.77	510.94
Depreciation – E	40	25.75	26.43	35.08	41.96	41.96	171.18
Working capital interest – F		0.24	0.00	0.00	0.00	0.00	0.24
Return on Land – G	68	0.09	0.09	0.09	0.09	0.09	0.45
Tax expense – H	64	0.00	0.00	0.00	0.00	44.48	44.48
ARR per year = SUM (C:H)		167.92	172.73	197.07	220.90	266.67	1025.29
Shortfall carried forward from Second Control Period	23	229.48					
ARR – I		397.40	172.73	197.07	220.90	266.67	1254.77
NAR	53	24.86	40.84	56.06	64.72	74.40	260.88
Less: 30% NAR – J		7.46	12.25	16.82	19.42	22.32	78.26
Net ARR = (I-J)		389.94	160.47	180.25	201.48	244.35	1,176.50
Discount factor (@ 12.52%)		1.00	0.89	0.79	0.70	0.62	
PV of ARR/ Target Revenue (₹ Crores)		389.94	142.82	142.40	141.04	151.50	967.70
Sum Present value of ARR (₹ Crores)				967.70			967.70
Total Traffic (million passengers)	28			39.78			39.78
Yield per passenger on Total Traffic (YPP) (₹)				243.26			243.26
Departing Passengers*				19.89			19.89
Yield per Departing Passenger (₹)				486.52			486.52

*Departing passengers is taken as 50% of total traffic

13.5 Authority's decision regarding 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.

- 13.5.1. The Authority decides to consider the ARR and Yield for the Third Control Period for Goa Airport in accordance with Table 72.



14. AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD**14.1 AAI's submission of Aeronautical Revenue for Goa International Airport for the Third Control Period**

- 14.1.1. AAI had proposed to consider a YoY increase in Aeronautical Revenues based on the growth rates in Traffic as proposed by AAI for all the traffic related revenues i.e., Parking & Housing, UDF, Ground handling and CUTE revenues.
- 14.1.2. For revenues based on agreements i.e., Land lease from oil companies and from ground handling agencies, AAI had proposed to consider the same revenue of FY 2020-21 for FY 2021-22, and a 5% growth increase YoY from FY 2022-23.
- 14.1.3. AAI had proposed to increase the Aeronautical tariffs with effect from October 1, 2021 as per the schedule below:
- **Parking and housing charges** - For domestic and international ATM, AAI had proposed a one-time increase of 40% from the existing charges w.e.f. October 1, 2021 and thereafter by 10% year on year.
 - **User Development Fee (UDF)** – AAI had proposed the following growth rates in UDF from the existing rates of ₹ 301 (Domestic) and ₹ 604 (International) for the Third Control Period.

Table 73: Increase in UDF rates proposed by AAI

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Domestic UDF	50%	44%	31%	47%	43%
International UDF	41%	41%	46%	43%	44%

Table 74: Aeronautical revenue submitted by AAI for Goa 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
Parking charges	0.35	0.47	0.62	0.76	0.93	3.13
UDF charges	98.51	180.13	299.41	517.96	859.79	1,955.80
Land Lease	1.44	1.52	1.59	1.67	1.76	7.98
Ground Handling charges	4.85	4.99	6.04	6.74	7.50	30.11
CUTE charges	4.45	4.69	5.90	6.87	7.83	29.73
Revenue Share from AAICLAS	0.33	0.37	0.40	0.44	0.49	2.04
Total Revenue	109.94	192.15	313.96	534.45	878.28	2,028.78

14.2 Authority's examination 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 cognizant of the situation and was of the view that keeping the tariff at the current



AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

level for the entire control period and postponing the full recovery of shortfalls to the next control period would 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 had 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 FY 2021-22 and proposed to revise the Parking charges and UDF from July 1, 2022. The Authority proposed to allow a one-time increase of 15% in the Domestic and International Parking charges in the FY 2022-23 (w.e.f. July 1, 2022) and an increase by 5% thereafter year-on-year till FY 2025-26.
- 14.2.4 The Authority proposed to allow the following tariff towards UDF for the Third Control Period for Goa Airport.

Table 75: UDF charges proposed by the Authority for Goa Airport for the Third Control Period at the Consultation stage

Passenger	FY 2021-22 (existing rates)	FY 2022-23 (01.04.2022 to 30.06.2022) (existing rates)	FY 2022-23 (01.07.2022 to 31.03.2023)	FY 2023-24	FY 2024-25	FY 2025-26
Domestic (in ₹)	301.00	301.00	350.00	375.00	400.00	425.00
International (in ₹)	604.00	604.00	650.00	675.00	700.00	725.00

- 14.2.5 The Authority had determined the Aeronautical revenue based with the proposed Aeronautical charges as follows:

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

(₹ 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) (a) (as per Table 71)	923.04					923.04
Parking Charges – Domestic and International (₹ in Crores)	0.28	0.40	0.52	0.63	0.76	2.60
Land Lease - Oil Companies (₹ in Crores)	1.44	1.52	1.59	1.67	1.76	7.98
Ground handling charges (₹ in Crores)	4.58	5.89	7.15	8.24	9.43	35.30
CUTE charges (₹ in Crores)	4.20	5.44	6.87	8.02	9.26	33.79
Royalty from AAICLAS (₹ in Crores)	0.33	0.37	0.40	0.44	0.49	2.04
Total Aeronautical Revenue, before UDF (₹ in Crores) (b)	10.84	13.62	16.55	19.01	21.69	81.70



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Particulars	FY 2021-22	FY 2022-23	FY 2023- 24	FY 2024- 25	FY 2025- 26	Total
PV factor	1.00	0.89	0.78	0.69	0.62	
PV of Aeronautical revenue (before UDF) (₹ in Crores)	10.84	12.16	12.98	13.21	13.34	62.53
Σ PV Aero Revenue (before UDF) (c)	62.53					
Shortfall before UDF (c) - (a) = (d)	(860.51)					
UDF/ PSF (F)						
Domestic (₹ in Crores)	72.93	104.75	145.38	177.41	215.64	716.12
International (₹ in Crores)	1.81	4.79	9.11	17.01	23.78	56.50
Total UDF (e)	74.74	109.54	154.50	194.42	239.42	772.62
Total Revenue (b + e)	85.58	123.16	171.04	213.43	261.11	854.32
PV of UDF	74.74	97.85	121.19	135.06	147.31	576.15
Σ PV of UDF (f)	576.15					
Σ PV Projected Aero Revenue including UDF (c) + (f) = (g)	638.68					
Surplus/ (Shortfall)						
Proposed to be carried forward for Next Control Period (g) - (a) (derived as on March 31, 2022)	(284.36)					

14.2.6 As can be observed from the above table, as per the Authority's proposals, AAI was entitled to recover an ARR of ₹ 923.04 Crores. The present value of total projected Aeronautical revenues based on the Authority's proposed Parking and UDF charges was ₹ 638.68 Crores, thus resulting in a net shortfall of ₹ 284.36 Crores.

14.2.7 The Authority took cognisance of the fact the AAI has reduced the traffic forecast for FY 2022-23 by 20% by giving credence to the possible impact on passenger traffic and ATM on account of operationalisation of the new Greenfield Airport at MoPA, Goa. However, the Authority noted that the following:

- The Capital expenditure and Operational and Maintenance expenses submitted by AAI for the Third Control Period for Goa International Airport had not been rationalised for the fact that the above Greenfield Airport is likely to become operational at Goa from FY 2022-23. This had resulted in higher ARR of Goa Airport.
- Goa International Airport is a Civil Enclave airport, which has limitations on the timing of operations. This consequently impacts the growth of passenger traffic and ATM, which is further expected to deteriorate with the operationalisation of new Greenfield Airport, MoPA Goa. This may result in lower Aeronautical revenues due to which the ARR of Goa Airport for the Third Control Period may not be fully recovered.
- However, with a view to not burden the airlines further, which are already suffering with the COVID-19 pandemic's impact on the Aviation sector, as also the other Users with excessive tariff, the Authority proposed to levy Parking and UDF charges in a progressive manner and



carry-forward the shortfall of ₹ 284.36 crores (as per Table 76) to the subsequent Control Period.

- However, the Authority proposed to adjust the above shortfall based on the Aeronautical revenue achieved by Goa International Airport in line with the actual traffic data of the Third Control Period.

14.3 Stakeholders' comments regarding 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. 29/2021-22 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 AAI has commented the following:

- AAI requests AERA to recalculate ARR based on comments given above in different Building Blocks.
- AAI requests AERA to consider Tariff commencement date from 1st July 2022 to 1st April 2022 as the recovery period (3 years and 9 months) will be increase by 3 months and definitely help in reducing shortfall to be carried forward for the next control period by Rs. 10.32 cr (Rate & growth as proposed by AAI) or by Rs. 4 cr (Rate & growth as proposed by AERA).
- In FY 2020-21 Parking revenue is higher as most of the aircraft were parked due to nationwide lockdown. AAI had inadvertently projected Parking charges for the Third Control Period taking FY 20-21 as base however this will not reflect the true picture as normal traffic movements are expected to normalize over the TCP.
- Hence AERA is requested to take base of FY2019-20 for projecting parking revenue in the Third CP.

After considering all the above submission of AAI, AERA is requested to consider full recovery of ARR in the TCP considering the fact that new MoPA airport will be operationalization in the Year FY2022-23 (By August 2022) and moreover there will be steep hike in tariff in the next control period which will be unfavorable to stakeholders as well as Airport Operator.

Other Stakeholders' comments on Aeronautical Revenue for the Third Control Period

14.3.3 FIA has submitted the following:

i. Overall Tariff:

"AERA has proposed increase in the Parking Charges of around 15% on Year 2 of the Third Control Period (and going up to a cumulative of approximate 33% by end of Year 5); and has proposed increase in the UDF of around 16% on Domestic Passengers (and 8% on International Passengers) on Year 2 of the Third Control Period (and going up to a cumulative 41% and 20% Domestic Passengers and International Passengers respectively by end of Year 5).

Without prejudice to the above, it is in the interest of all the stakeholders that the proposed tariffs be reduced in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of aviation sector.

AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned in this Annex-B, which is likely to reduce the ARR of Goa Airport. This will further ensure the lowering of tariff including UDF, which will be beneficial to passengers and airlines.



ii. **Collection Charges:**

We would like to invite AERA's attention to Para 18.2.2 of Annexure II of the Consultation Paper that the rate of collection of UDF charges has not been clarified. We understand that such rate of Collection Charges being clarified in other Consultation Papers is Rs. 5 (Rupees five only) per departing passenger. We request that the same is clarified in the Tariff Order for Goa Airport.

We further request that the Collection Charges the entitlement for airlines, should be against Goa Airport having received the 'undisputed' invoiced UDF amount with the applicable due date."

14.4 AAI's responses to other Stakeholders' comments regarding Aeronautical Revenue for the Third Control Period

14.4.1 AAI has responded to FIA's comments as under:

i. **Overall Tariff:**

"The financial condition of AAI during the Covid-19 Pandemic has deteriorated to a great extent. AAI has incurred a loss of Rs. 1,962 Crores (approx.) in F.Y. 2020-21. AAI has resorted to borrowing from market to finance its capital as well as opex. Although it is expected that the Aviation sector is likely to bounce back to Pre-Covid level by F.Y. 2023-24, yet for AAI's current survival, it is required to improve cash flows. Under the present situation there is no hope to augment Non-aeronautical revenue.

ii. **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 Credit Policy of AAI which has been provided in the tariff card by AERA."

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

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

14.5.2. The Authority also feels that targeting a full recovery at this time may not be fair to all stakeholders and may dampen the stakeholders' efforts to revive aviation traffic. 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. Taking cognizance of AAI's comments regarding steep hike in the tariffs in the next Control Period and of FIA's comments regarding lowering of tariff which will be beneficial to passengers and airlines, the Authority has decided to carry forward a certain portion of the shortfall/ under-recovery to the next Control Period. Further, the Authority has decided to carry forward lower ARR (In NPV Terms) to the next Control Period as compared to that proposed in the Consultation Paper, keeping in view the following:

- i. MoPA Goa Airport is being operationalized earlier than the originally anticipated timelines, due to which the traffic of Dabolim airport is expected to decrease and there is likelihood of shrinkage in the Aeronautical revenue of AAI.



AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

- ii. Carrying forward ARR beyond a certain level becomes counterproductive for the interest of Airport Users as the carried forward ARR would be considered in Net Present Value (NPV) terms, thus leading to significant increase in tariff in the next Control Period.
 - iii. Possibility of increase in tariff in the Next Control Period, due to likely split in traffic between the two Airports in GOA (Dabolim Airport and MoPA Airport).
- 14.5.3. The Authority takes cognizance of the Parking revenue being abnormally high in FY 2020-21, due to Country wide lockdown. The Authority has re-computed the Parking revenue for the Third Control Period by considering FY 2019-20 as the base.
- 14.5.4. The Authority has taken into consideration the comments of FIA on Collection charges and response of AAI thereon and is of the opinion that the collection charges is a matter between the Airport Operator and the Airlines. However, Para No. 17.1.2 of this tariff order regarding collection charges may be referred to.
- 14.5.5. The Authority has decided to increase the aeronautical tariff in a progressive manner as detailed below:
- i. **Parking charges:** The Authority has decided not to increase any Aeronautical tariff both for domestic and international traffic in the financial year 2021-22 and to revise the Parking and UDF charges from July 1, 2022. The Authority has decided to allow a one- time increase of 30% in the Domestic and International Parking charges in the FY 2022-23 (w.e.f. July 1, 2022) and an increase by 5% thereafter year-on-year till FY 2025-26.
 - ii. **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 Goa International Airport for the Third Control Period

Passenger	FY 2021-22 (existing rates)	FY 2022-23 (01.04.2022 to 30.06.2022) (existing rates)	FY 2022-23 (01.07.2022 to 31.03.2023)	FY 2023-24 w.e.f. 01.04.2023	FY 2024-25 w.e.f. 01.04.2024	FY 2025-26 w.e.f. 01.04.2025
Domestic (in ₹)	301.00	301.00	375.00	430.00	495.00	570.00
International (in ₹)	604.00	604.00	695.00	760.00	825.00	900.00

- 14.5.6. 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:

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 72 = (a)	967.70					967.70
Parking charges:	0.10	0.14	0.19	0.22	0.27	0.91



AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
<i>Domestic and International (₹ in Crores)</i>						
Land Lease - Oil Companies (₹ in Crores)	1.44	1.52	1.59	1.67	1.76	7.98
Ground handling charges (₹ in Crores)	5.06	5.89	7.15	8.24	9.43	35.77
CUTE charges (₹ in Crores)	4.49	5.44	6.87	8.02	9.26	34.08
Cargo Revenue (₹ in Crores)	0.33	0.37	0.40	0.44	0.49	2.04
Total Aeronautical Revenue, before UDF (₹ in Crores) (b)	11.42	13.36	16.20	18.59	21.21	80.78
PV factor	1.00	0.89	0.79	0.70	0.62	
PV of Aeronautical revenue (before UDF) (₹ in Crores)	11.42	11.87	12.80	13.05	13.23	62.37
Σ PV Aero Revenue (before UDF) (c)	62.37					62.37
Under recovery before UDF (c) - (a) = (d)	(905.33)					(905.33)
UDF/ PSF (F)						
<i>Domestic (₹ in Crores)</i>	77.26	110.57	166.71	219.54	289.21	863.29
<i>International (₹ in Crores)</i>	3.15	5.04	10.26	20.05	29.52	68.02
Total UDF (e)	80.41	115.61	176.97	239.59	318.73	931.31
Total Revenue (b + e)	91.83	128.97	193.17	258.18	339.94	1,012.09
PV of UDF	80.41	102.75	139.78	168.18	198.84	689.96
Σ PV of UDF (f)	689.96					689.96
Σ PV Projected Aero Revenue including UDF (c) + (f) = (g)	752.33					752.33
Under recovery proposed to be carried forward for Next Control Period (g) - (a) (derived as on 31 March 2022)	(215.37)					(215.37)

14.5.7. 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 ₹ 967.70 Crores. The present value of total projected Aeronautical revenues based on the Authority's Parking and UDF charges is ₹ 752.33 Crores, thus resulting in a net shortfall (under recovery) of ₹ 215.37 Crores.

14.5.8. The Authority has decided to carry-forward the under recovery of ₹ 215.37 Cr. (as per Table 78) to the Fourth Control Period, with a view to not burden the airport users further, who 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 Goa 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 Goa International 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.



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15. SUMMARY OF AUTHORITY'S DECISIONS**Chapter 3: True Up for the Second Control Period**

- 3.9.1 The Authority decides to consider capital additions as detailed in Table 10 for true up of the Second Control Period.
- 3.9.2 The Authority decides to consider Aeronautical depreciation as mentioned in Table 11 for true up for the Second Control Period.
- 3.9.3 The Authority decides to consider RAB as per Table 12 for true up for the Second Control Period.
- 3.9.4 The Authority decides to consider the Non-aeronautical revenues as presented in Table 14 for the purpose of true up of the Second Control Period.
- 3.9.5 The Authority decides to consider the O&M expenses as detailed in Table 20 for the purpose of true up of the Second Control Period.
- 3.9.6 The Authority decides not to allow Return on Land claimed by Goa International Airport for the First and Second Control Period, in accordance with its Order 42/ 2018-19 dated March 5, 2019.
- 3.9.7 The Authority decides to consider ARR, and Shortfall as detailed in Table 23 for true up of the Second Control Period for Goa Airport and readjust the shortfall for the Third Control Period.

Chapter 4: Traffic for the Third Control Period

- 4.6.1 To consider the ATM and passenger traffic for the Third Control Period for Goa Airport as per Table 28.
- 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 tariffs for the Fourth Control Period.

Chapter 5: Regulatory Asset Base (RAB) and Depreciation for the Third Control Period

- 5.6.1 The Authority decides allocation of gross block of assets as on April 1, 2021, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 5.6.2 The Authority decides to adopt the capitalisation of Aeronautical Expenditure for the Third Control Period in accordance with Table 39.
- 5.6.3 To true up the Capital expenditure on actuals at the time of determination of tariff for the 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/capitalised as per the approved capitalisation schedule in the Tariff Order (as per Para No. 5.2.11), at the time of truing up of the Third Control Period.
- 5.6.5 The Authority decides depreciation as per Table 40 for the Third Control Period.
- 5.6.6 The Authority decides to consider RAB for the Third Control Period for Goa International Airport as per Table 41.



Chapter 6: Fair Rate of Return (FRoR) for the Third Control Period

- 6.6.1 The Authority decides to consider cost of debt at 6.21% as per Table 45.
- 6.6.2 The Authority decides to consider cost of equity at 14% as per Table 46.
- 6.6.3 The Authority decides to consider FRoR of 12.52% for Goa Airport for the Third Control Period as per Table 48.
- 6.6.4 To true up the FRoR during the tariff determination exercise for the Fourth Control Period.

Chapter 7: Inflation for the Third Control Period

- 7.5.1 To consider WPI inflation at 4.9% for the Third Control Period based on average of the median WPI inflation forecasts of the 4th quarter of FY 2020-21 and 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 The Authority decides to consider Non-aeronautical revenues for the Third Control Period for Goa Airport in accordance with Table 53.

Chapter 9: Operation and Maintenance Expenditure for the Third Control Period

- 9.6.1 To consider O&M expenses for the Third Control Period for Goa Airport as per Table 61.

Chapter 10: Taxation for the Third Control Period

- 10.5.1 The Authority decides to consider the Taxation for the Third Control Period for Goa Airport as per Table 64.

Chapter 11: Return on Land cost for the Third Control Period

- 11.5.1 To consider land area used for Aeronautical activities as per Table 66.
- 11.5.2 To consider Return on Land as per Table 68.

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 the Quality of Service.

Chapter 13: Aggregate Revenue Requirement (ARR) for the Third Control Period

- 13.5.1 The Authority decides to consider the ARR and Yield for the Third Control Period for Goa Airport in accordance with Table 72.

Chapter 14: Aeronautical revenue for the Third Control Period

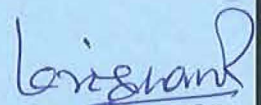
- 14.6.1 To consider Aeronautical revenue for the Third Control Period for Goa International Airport as per Table 78.
- 14.6.2 To true up Aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.



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 Goa International Airport for the Third Control Period, as placed at Annexure I.
- 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 made under the Aircraft Act, 1934, 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.
- 16.3. The tariff determined herein are ceiling rates, exclusive of taxes, if any.
- 16.4. This Order shall be made effective from July 1, 2022.
- 16.5. AAI shall submit its MYTP for Goa International Airport to the Authority for the Fourth Control Period in a timely manner as per the Authority's Guidelines, 2011.

By the Order and in the name of the Authority



(Ram Krishan)
Director (P&S)

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 Goa International Airport for the Third Control Period (effective from July 1, 2022)

17.1.1 Parking charges* approved for the Third Control Period have been provided below:

Table 79: Parking charges (per hour) up to two hours after free hours 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 to 30.06.2022	FY 2022-23 Tariff w.e.f. 01.07.2022 to 31.03.2023	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
Up to 25 MT	3.30 per Hour per MT	3.30 per Hour per MT	4.30 per Hour per MT	4.50 per Hour per MT	4.70 per Hour per MT	4.90 per Hour per MT
Above 25 MT up to 50 MT	82.50+4.60 per Hour per MT in excess of 25 MT	82.50+4.60 per Hour per MT in excess of 25 MT	107.50 + 6.00 per Hour per MT in excess of 25 MT	112.50 + 6.30 per Hour per MT in excess of 25 MT	117.50 + 6.60 per Hour per MT in excess of 25 MT	122.50 + 6.90 per Hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	197.50+8.90 per MT per Hour in excess of 50 MT	197.50+8.90 per Hour per MT in excess of 50 MT	257.50+ 11.60 per MT per Hour in excess of 50 MT	270.00 + 12.20 per Hour per MT in excess of 50 MT	282.50 + 12.80 per Hour per MT in excess of 50 MT	295.00 + 13.40 per Hour per MT in excess of 50 MT
Above 100 MT to 200 MT	642.50+ 11.20 per Hour per MT in excess of 100 MT	642.50+11.20 per Hour per MT in excess of 100 MT	837.50+14.60 per MT per Hour in excess of 100 MT	880.00 + 15.30 per Hour per MT in excess of 100 MT	922.50 + 16.10 per Hour per MT in excess of 100 MT	965.00 + 16.90 per Hour per MT in excess of 100 MT
Above 200 MT	1,762.50 +12.40 per Hour per MT in excess of 200 MT	1,762.50 +12.40 per Hour per MT in excess of 200 MT	2,297.50+ 16.10 per Hour per MT in excess of 200 MT	2,410.00 + 16.90 per Hour per MT in excess of 200 MT	2,532.50 + 17.70 per Hour per MT in excess of 200 MT	2,655.00 + 18.60 per Hour per MT in excess of 200 MT

* Housing charges subsumed within parking charges.

Table 80: 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
		Tariff w.e.f. 01.04.2022 to 30.06.2022	Tariff w.e.f. 01.07.2022 to 31.03.2023	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025
Up to 25 MT	6.70 per Hour per MT	6.70 per Hour per MT	8.70 per Hour per MT	9.10 per Hour per MT	9.60 per Hour per MT	10.10 per Hour per MT
Above 25 MT up to 50 MT	167.50+8.90 per Hour per MT in excess of 25 MT	167.50+8.90 per Hour per MT in excess of 25 MT	217.50 + 11.60 per Hour per MT in excess of 25 MT	227.50 +12.20 per Hour per MT in excess of 25 MT	240.00 +12.80 per Hour per MT in excess of 25 MT	252.50 +13.40 per Hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	390 + 18 per Hour per MT in excess of 50	390 + 18 per Hour per MT in excess of 50	507.50 + 23.40 per Hour per MT in excess	532.50 + 24.60 per Hour per MT in excess of 50	560.00 + 25.80 per Hour per MT in excess	587.50 + 27.10 per Hour per MT in excess of



LIST OF ANNEXURES

Weight of the Aircraft	FY 2021-22 (Existing rates)	FY 2022-23		FY 2023-24	FY 2024-25	FY 2025-26
		Tariff w.e.f. 01.04.2022 to 30.06.2022	Tariff w.e.f. 01.07.2022 to 31.03.2023	Tariff w.e.f. 01.04.2023	Tariff w.e.f. 01.04.2024	Tariff w.e.f. 01.04.2025
	MT	MT	of 50 MT	MT	of 50 MT	50 MT
Above 100 MT to 200 MT	1,290+22.50 per Hour per MT in excess of 100 MT	1,290+22.50 per Hour per MT in excess of 100 MT	1,677.50 + 29.30 per Hour per MT in excess of 100 MT	1,762.50 + 30.80 per Hour per MT in excess of 100 MT	1,850.00 + 32.30 per Hour per MT in excess of 100 MT	1,942.50 + 33.90 per Hour per MT in excess of 100 MT
Above 200 MT	3,540+ 24.80 per Hour per MT in excess of 200 MT	3,540+ 24.80 per Hour per MT in excess of 200 MT	4,607.50 + 32.20 per Hour per MT in excess of 200 MT	4,842.50 + 33.80 per Hour per MT in excess of 200 MT	5,080.00 + 35.50 per Hour per MT in excess of 200 MT	5,332.50 + 37.30 per Hour per MT in excess of 200 MT

Notes-

1. 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.
2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
3. Charges shall be calculated on the basis of nearest MT.
4. 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. Night parking charges (between 2200 hours to 0600 hours) will be similar to the parking charges as per table above. Night parking charges are waived off in principle for all domestic scheduled operators at Goa Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges will be made applicable from the date of implementation of < 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 for all the airports within the jurisdiction of the said State.
7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
8. For unauthorised overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable.



17.1.2 User Development Fees (UDF): UDF charges for the Third Control Period have been provided below:*Table 81: UDF (per embarking passenger) for the Third Control Period*

Passenger	FY 2021-22 (existing rates)	FY 2022-23 Tariff w.e.f. 01.04.2022 to 30.06.2022 (existing rates)	FY 2022-23 Tariff w.e.f. 01.07.2022 to 31.03.2023	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
Domestic (in ₹)	301.00	301.00	375.00	430.00	495.00	570.00
International (in ₹)	604.00	604.00	695.00	760.00	825.00	900.00

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 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
4. No UDF will be levied for transit passengers.
5. Revised UDF charges will be applicable on the tickets issued on or after July 1, 2022.

17.1.3 Aviation Security Fee: Rates and Exemption as prescribed by MoCA from time to time.**17.1.4 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.



17.1.5 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.



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17.2 Annexure II: Approved vis-a-vis Actual Capex incurred by AAI for Goa International Airport for the Second Control Period (Table 6 A)

S. No	Asset category	Description of the project	Capex approved by AERA (₹ in Crores)	Actual capex incurred (₹ in Crores)	Financing Allowance (₹ in Crores)	Remarks
1	Runways, Taxiways, Aprons-Freehold	Construction of Parallel taxi track and expansion of Apron along New International Terminal Block on the southern side of Airport	90.00	67.44	9.10	This includes Financing allowance for ₹ 9.10 Crores (included under ₹ 76.55 cr), which has been disallowed by the Authority
2	Terminal and Other Buildings	Extension of Western side finger and construction of Admin Block	20.30	52.02	3.58	This includes Financing allowance for ₹ 3.57 Crores (included under ₹ 55.60 cr), which has been disallowed by the Authority
3	Building Residential	Construction of Residential quarters	26.80	0.00	-	Due to certain policy changes by Govt. of Goa and also due to delay in the grant of Panchayat Licence, AAI has stated that completion certificate from MPDA and Occupation certificate from Chicalim Panchayat is awaited, after which the asset is expected to be put to use in March 2022. Hence the Authority proposes to include the capex in the third control period.
4	Security Fencing-Temporary		1.00	-	-	
5	Tools and Equipment	1.Installation of threat containment vessel 2.o Purchase of Mobile Radio Operative vehicle (MROV) 3. Installation of Access Control System at Goa Airport	1.10	26.31	0.12	



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S. No	Asset category	Description of the project	Capex approved by AERA (₹ in Crores)	Actual capex incurred (₹ in Crores)	Financing Allowance (₹ in Crores)	Remarks
6	Electrical installations		16.00	0.00	-	Electrical installations have been capitalised as part of Terminal Building
7	CFT/Fire fighting equipment		0.10	0.03	-	
			155.30	145.80	12.80	



17.3 Annexure III: Unapproved/ Additional Capex incurred by Goa International Airport during the Second Control Period (Table 6 B)

S. No	Asset category	Description of the project	Amount (₹ in Crores)	Financing Allowance (₹ in Crores)	Remarks
1	Land		0.00		
2	Roads, Bridges & culverts		0.28		
3	Temporary Building		0.86		
4	Temporary Wall		0.00		
5	Operational Boundary Wall		0.00		
6	Residential Boundary wall		0.00		
7	Computers & Peripherals		0.89	0.01	
8	Software		0.14		
9	Plant and Machinery	Supply, Installation, testing and commissioning of Inline Baggage System (ILBS)	15.84		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.
		Installation of Aerobridges in the NITB	14.71		The Construction and Installation of Aerobridges in the New International terminal block (NITB) commenced in the First Control Period. The above capex incurred in the Second Control Period pertains to the same project which had been initiated in the First Control Period. and no new projects were undertaken
		Construction of additional Passenger Boarding	7.91		This construction had been incurred towards additional Passenger Boarding Bridges & AVDGS



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S. No	Asset category	Description of the project	Amount (₹ in Crores)	Financing Allowance (₹ in Crores)	Remarks
		Bridges & AVDGS			for passenger facilitation due to increase in passenger traffic.
		CCTV SYSTEM for Dispensing with stamping	1.38		Due to change in policy & dispensing of stamping of boarding pass system CCTV was installed for operational requirement
		Others	28.22	1.68	Other expenditure includes expenditure incurred on construction of elevators, air conditioners etc., due to extension of NITB on Western Finger for operation requirement & passenger facilitation
10	Furniture & Fixtures - Office		0.00		
11	Vehicles		0.69		
12	Cars/Jeeps		0.00		
13	Office Equipment		1.00		
14	Furniture & Fixtures - Operational Area	1. Display of artwork at Dabolim Airport 2. Realignment of immigration counters, fixing roll carpets and decorative LED smart panels at NITB	9.09	0.02	The capex towards furniture and fixtures were incurred as a part of operational requirements in order to facilitate passengers and also to increase ASQ rating by enhancing the outlook of the NITB.
15	ATM Furniture		1.49		
16	X-Ray		17.79		The total amount of capex was incurred towards Registered baggage X-ray system procured & supplied by CHQ to meet the operational & security requirements.
	Total Unapproved Capex (B)		100.28	1.71	

