फा. सं. ऐरा/20010/एमवाईटीपी/जीआईएएल/मोपा गोवा/सीपी-I/2023-24

File No. AERA/20010/MYTP/GIAL/MOPA GOA/CP-I/2023-24

आदेश संख्या 27/2023-24

Order No. 27/ 2023-24

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

मनोहर अंतर्राष्ट्रीय हवाईअड्डा, मोपा, गोवा (जीओएक्स) में प्रथम नियंत्रण अवधि (01 अप्रैल 2023 से 31 मार्च 2028) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR MANOHAR INTERNATIONAL AIRPORT, MOPA, GOA (GOX) FOR THE FIRST CONTROL PERIOD (01ST APRIL 2023 TO 31ST MARCH 2028)

जारी करने की तारीख: 07.12.2023

Date of Issue: 07.12.2023

ऐरा भवन/ AERA Building
प्रशासनिक कॉम्पलेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/ Safdarjung Airport
नई दिल्ली/ New Delhi – 110 003

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सत्यमेव जयते
Airports Economic Regulatory Authority of India

List of Abbreviations

Abbreviation	Expansion
AAI	Airports Authority of India
ACI	Airports Council International
AEMB	Airline Engineering and Maintenance Building
AERA / the Authority	Airports Economic Regulatory Authority of India
AGL	Airfield Ground Lighting
AIASL	AI Air Transport Services Limited
ANS	Air Navigation Services
AO	Airport Operator
AOCC	Airports Operations Control Centre
APAO	Association of Private Airport Operators
ARFF	Aircraft Rescue and Fire Fighting
ARR	Aggregate Revenue Requirement
ASDC	Aviation Skill Development Center
ASF	Aviation Security Fee
ASQ	Airport Service Quality
ASSOCHAM	Associated Chambers of Commerce and Industry of India
ATC	Air Traffic Control
ATCTB	Air Traffic Control Terminal Building
ATM	Air Traffic Movement
ATRS	Automated Tray Retrieval System
ATV	Average Ticket Value
AUCC	Airport User Consultative Committee
BHS	Baggage Handling System
BIAL	Bangalore International Airport Limited
BME	Bridge Mounted Equipment
BOQ	Bill of Quantity
BPCL	Bharat Petroleum Corporation Limited
BRS	Baggage Reconciliation System
BSE	Bombay Stock Exchange
CA	Concession Agreement
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CASIPL	Celebi Airport Services (India) Pvt. Limited
CCTV	Closed Circuit Television
CGF	Cargo, Ground handling and Fuel Farm
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
COD	Commercial Operation Date
COVID-19	Corona Virus Disease-2019
CP	Consultation Paper

Abbreviation	Expansion
CPI	Consumer Price Index
CPWD	Central Public Works Department
CSR	Corporate Social Responsibility
CUPPS	Common Use Passenger Processing System
CUSS	Common Use Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Work in Progress
DBFOMT	Design, Build, Finance, Operate, Maintenance and Transfer
DBFOT	Design, Build, Finance, Operate and Transfer
DGCA	Directorate General of Civil Aviation
DGU	Double Glazing Unit
DIAL	Delhi International Airport Limited
DSRA	Debt Service Reserve Account
EC	Environment Clearance
EHCR	Employee Headcount Ratio
EHS	Environment, Health & Safety
EPC	Engineering, Procurement and Construction
F&B	Food and Beverages
FA	Financing Allowance
FCP	First Control Period
FIA	Federation of Indian Airlines
FRoR	Fair Rate of Return
GAL	GMR Airports Limited
GDP	Gross Domestic Product
GIAL	Goa International Airport Limited
GoG	Government of Goa
GoI	Government of India
GOI	Goa International Airport, Dabolim (IATA Code)
GOX	Manohar International Airport, Mopa, Goa (IATA Code)
GST	Goods and Services Tax
HIAL	Hyderabad International Airport Limited
HVAC	Heating, Ventilation and Air Conditioning
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Information and Communication Technology
IDC	Interest During Construction
IFK	In-Flight Kitchen
IMG	Inter-Ministerial Group
IPP	Income Per Passenger
ISP	Independent Service Providers
IT	Information Technology
KMP	Key Managerial Personnel

Abbreviation	Expansion
LIAL	Lucknow International Airport Limited
M/s PKF S&S	M/s PKF Sridhar and Santhanam LLP
MAG	Management Assurance Group
MAT	Minimum Alternate Tax
MCLR	Marginal Cost of Funds based Lending Rate
MEP	Mechanical, Electrical and Plumbing
MIA	Manohar International Airport
MIAL	Mumbai International Airport Limited
MoCA	Ministry of Civil Aviation
MRO	Maintenance, Repair and Overhaul
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NGT	National Green Tribunal
NHAI	National Highways Authority of India
PBB	Passenger Boarding Bridges
PBG	Performance Bank Guarantee
PBT	Profit Before Tax
PH&E	Public Health & Engineering
PMC	Project Management Consultancy
PO	Purchase Order
PPP	Public Private Partnership
PSF	Passenger Security Fee
PTB	Passenger Terminal Building
PV	Present Value
R&M	Repairs and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RCS	Regional Connectivity Scheme
RFP	Request for Proposal
RPP	Revenue Per Passenger
SCI	Hon'ble Supreme Court of India
SCP	Second Control Period
SPP	Sales Per Passenger
SPV	Special Purpose Vehicle
TB	Terminal Building
TBLR	Terminal Building Ratio
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
TOPS	Terminal Operations
UDF	User Development Fee
VDGS	Visual Docking Guidance System
WACC	Weighted Average Cost of Capital
WDV	Written Down Value

Abbreviation	Expansion
WIP	Work in Progress
WPI	Wholesale Price Index
YPP	Yield Per Passenger
Unit of Measurement	
FY	Financial Year
Mn	Million
MPPA	Million Passenger Per Annum
MT	Metric Tonne
Nos	Number
Rs.	Rupees
Sq.m	Square meter
Y-o-Y	Year on Year

1 BACKGROUND

1.1 Introduction

1.1.1 Goa, located on the western coast in the Konkan region, is one of the most popular tourist destinations in the country. It is the fourth smallest state by population and has only two districts – North Goa and South Goa. Tourism is one of the major industries providing direct and indirect employment in the state. Goa witnessed more than 80 lakhs tourist arrivals in the year 2019 (pre-pandemic) including 9 lakh foreign tourists.

1.1.2 Goa International Airport (known as "Dabolim Airport" or "GOI") is an airport existing in Dabolim, Goa, which is operated by Airports Authority of India (AAI) and the Indian Navy. Being a Civil Enclave, Dabolim Airport is constrained with operational restrictions resulting in congestion and non-availability of slots for airlines during daytime. Considering the difficulties and the future economic growth of the state, the Government of Goa (GoG) decided to develop a greenfield airport at Mopa, Goa through Public Private Partnership (PPP) mode.

1.1.3 With the commencement of commercial operations at Manohar International Airport (MIA), Mopa, Goa (IATA: GOX), effective from 05th January 2023, Goa has 2 Airports in the state.

1.2 Concession Agreement for development of Manohar International Airport, Mopa, Goa

1.2.1 GMR Airports Limited (GAL) won the bid for development of the new airport at Mopa, Goa and signed the Concession Agreement on 08th November 2016 via a Special Purpose Vehicle (SPV) named "Goa International Airport Limited (GIAL)". GIAL was incorporated on 14th October 2016 with 99.99% holding by GAL and one Golden share (Non-transferable equity share with rights) in favor of GoG.

1.2.2 As per the agreement, GIAL, Mopa, Goa, will develop the airport under the DBFOT (Design, Build, Finance, Operate and Transfer) model for an initial period of 40 years from the appointment date (4th September 2017), which is extendable by another 20 years (based on bidding process) with the First Right of Refusal available to the Concessionaire, i.e., GIAL.

1.2.3 The Concession Agreement (CA) envisaged development of Manohar International Airport, Mopa, Goa as an integrated international and domestic airport in a phased manner based on a traffic-trigger principle. Accordingly, the Concession Agreement stipulated the capacity for different phases of development. The following table indicates the capacities as per the CA.

Table 1: Phase-wise Airport Development proposed in Annex-II of CA

Phasing	Traffic Design Capacity (In MPPA)	Trigger for Phasing
Phase-I	4.4	On the date of COD
Phase-II	5.8	80% of Phase-I Capacity
Phase-III	9.4	80% of Phase-II Capacity
Phase-IV	13.1	80% of Phase-III Capacity

1.2.4 Key clauses from the CA are as detailed below:

Table 2: Key Highlights of the Concession Agreement

Headings	Clause No.	Description
Concession requirement	3.1.(i)	Construction and procurement of the Aeronautical Assets including Runways, Taxiways, Apron, aircraft parking bays and other associated facilities.
Construction and procurement of the Terminal Building	3.1.(ii) & Annexure II of Schedule A	Level of service for Terminal Building – IATA Level of Service "C" (optimum standards) compliant. The total area of the Terminal Building should be based on 25 to 40 square meter per peak hour passenger for the design year.
		80% (eighty per cent) of each of the international and domestic aircrafts B737 / A320 or larger aircrafts shall be served by the boarding bridges.
		Provide international standard range of retail and other passenger services.
		Terminal design must be capable of incremental expansion with minimum impact on current operations.
City side development	5.1	381 acres out of 2093 acres of land is earmarked for city side development.
	3.6.2	For avoidance of doubt, revenues of the Concessionaire from City Side Development shall be excluded from the Shared-Till framework for the determination and regulation of the Aeronautical Charges.
Defense area	6.1	5 acres out of 2093 acres of land shall be carved out for the use of Defense forces
Cargo facilities (Schedule B of CA)	7.1	The Concessionaire shall earmark land within the site for the development of a Cargo Facility in the Airport.
Maintenance, Repair and Overhaul (MRO) Facilities (Schedule B of CA)	8.1	The Concessionaire shall earmark minimum 26 acres of land within the Site for the development of an MRO Facility in the Airport as per the applicable Standards and Specifications.
Annual premium	30.2.1	Concessionaire agrees to pay to the Authority/GoG for each year commencing from the 6th (sixth) year of the occurrence of the Appointed Date, a premium (the "Annual Premium") equal to 36.99 % of Gross Revenue.
	32.3.3	The Annual Premium shall not be considered as a part of the capital outlay for the Airport or the regulatory asset base or operating expense for the purpose of the determination of the Aeronautical Charges and shall always be excluded from being considered as a part of the cost for the determination of the Aeronautical Charges.

1.3 Development of Greenfield Airport through Public Private Partnership (PPP)

1.3.1 On 28th October 2015, Environment Clearance was granted for the project, and accordingly the construction of Manohar International Airport, Mopa, Goa commenced in FY 2015-16. The airport was expected to be commissioned by November 2019 as per the CA.

1.3.2 The construction activities in the airport were suspended for an interim period due to certain orders issued by the Hon'ble courts. Following orders were issued by Hon'ble courts relating to the Airport Project:

- On 8th March 2018, an order was issued by the Hon'ble High Court of Bombay to stay tree cutting in the region, as a response to concerns about environmental degradation and the loss of greenery in the area.
- On 19th March 2019, the Hon'ble Supreme Court of India (SCI) suspended the Environment Clearance that had been granted for the project, due to concerns about the environmental impact of the project and the need for a more thorough assessment of the potential consequences.
- On 16th January 2020, the petition related to the suspension of the Environment Clearance was dismissed by the Hon'ble Supreme Court of India. As a result, the suspension of the Environment Clearance was removed but with certain conditions to ensure that the project would not have an undue impact on the environment.

1.3.3 Due to the Hon'ble Supreme Court status quo order which prevailed for about one year against Environment Clearance of the project, the completion date got postponed to August 2022. Based on the change in commencement date, GIAL proposed a revised phasing of construction, which was approved by GoG. The phasing of construction and the revised phase-wise capacity planned at the Airport is as indicated below:

Table 3: Revised Phase-wise Airport Development proposed by GIAL as per Business Plan

Phase	Capacity in MPPA	Trigger for Phasing	Financial Year
Phase-I	4.40	On the date of COD	FY 2022-23
Phase-II	7.70	80% of Phase-I Capacity	FY 2023-24
Phase-III	11.10	80% of Phase-II Capacity	FY 2025-26
Phase-IV	16.00	80% of Phase-III Capacity	FY 2030-31
Phase-V	21.60		FY 2042-43

1.3.4 Manohar International Airport, Mopa, Goa is presently connected with NH-66 with a 2-lane operational access road. As per the terms of the CA, GoG has to complete four-lane expressway (6.59 kms) connecting NH-66 with the airport in 5 years from the appointed date. The 6.59 kms connecting road has been declared as a National Highway (NH-166S) under the Bharat Mala Pariyojna and would be developed by National Highways Authority of India (NHAI). The land acquisition and other activities have started as per the NH Act and the expressway is expected to be operational in FY 2023-24.

1.3.5 The sequence of activities leading to the operationalization of Manohar International Airport, Mopa, Goa are as follows:

i. Aerodrome License was issued by DGCA on 26th October 2022
ii. Provisional completion certificate was issued by the Independent Engineer on 7th December 2022
iii. Airport was inaugurated on 11th December 2022
iv. The first commercial flight took off on 5th January 2023

1.3.6 Technical and Terminal Building details submitted by MIA, Mopa, Goa for Phase-I, II & III are as detailed below:

Table 4: Technical and Terminal Building details submitted by GIAL, Mopa, Goa

Particulars	Phase-I	Phase-II	Phase-III
Airside			
Runway	3500X 45 m+7.5 m Shoulder each side, Flexible Pavement		
Apron	57150 Sq.m, Rigid Pavement + Isolation Bay of 19,100 sq.m	~20,000 Sq.m	~35,000 Sq.m
Total In contact Aircraft Stands	5 Nos (3 for code C, 1 MARS, 1 code E or 2 code C)	4 Nos (Code C)	
Remote stands	9 Nos		
VDGS	6 Nos	2 Nos	
Landside			
Departure Forecourt	5 Lane (3 movement + 2 parking); Carriage width: 14.5 m		
Arrival Forecourt	5 Lane (3 movement +2 parking); Carriage width: 14.5 m		
ATC & ATCTB	Height 46.8 M, Tech. Bldg. G+3 (Area 3865 Sq. m)		
Passenger Terminal Building			
Designated Capacity	4.4 MPPA (Shell built for 7.7 MPPA)	7.7 MPPA	11.1 MPPA
Total Built-up	67,726 Sq.m		~25,000 Sq.m
Entry Gates (Check -in Hall)	3 Nos		
Check-in-Island	1 No	1 No	
Check-in counters	22 (4 nos. for Self-Baggage Drop)	20 Nos	
ATRS	7 Nos. (~300 Bags / hr.)	2 Nos	
Baggage reclaim belt	2 (Domestic) + 1 (International)		
Passenger Boarding Bridges	5 Nos	2 Nos	
Baggage Screening Capacity	2 Lines (2400-3000 bags / hr.)	Extension for 2nd island	
Bus Gate Domestic	3 Nos		
Bus Gate International	2 Nos		
Bus Gate VIP	1 No.		
Emigration counters	8 Nos (Departure)	4 Nos	
Immigration counters	12 Nos (Arrival)	8 Nos	

1.4 Cargo, Ground Handling and Fuel Farm (CGF) Operations

1.4.1 The Concession Agreement details the provision of Cargo, Ground Handling and Fuel facilities at the Airport. The Concession Agreement also states that Aeronautical Services have the meaning as set forth in the AERA Act, 2008 in relation to the services to be provided at the Airport. Aeronautical Services defined in AERA Act, 2008 include services relating to Cargo, Ground Handling and Fuel facilities as per Section 2 (a) which is reproduced as below:

(a) 'aeronautical service' means any service provided

....

(iv) for ground handling services relating to aircraft, passengers and cargo at an airport;
(v) the cargo facility at an airport;
(vi) for supplying fuel to the aircraft at an airport

Cargo Operations

1.4.2 Over the past decade, Cargo traffic at Goa's Dabolim airport had remained constant at approximately 4,500 metric tonnes per annum due to limited cargo handling infrastructure. Furthermore, the lack of adequate infrastructure has prevented the airport from attracting dedicated freight carriers, resulting in all cargo being transported in civilian aircraft's belly holds.

1.4.3 The Concession Agreement has included provisions (Clause 12.7) for the development of a cargo facility within the site. Once completed, the cargo facilities at Manohar International Airport, Mopa, Goa are expected to contribute to increase in the capacity from 4,500 to 25,000 metric tonnes per annum across both the airports operating in Goa state.

1.4.4 On 16th November 2021, GIAL awarded the cargo license to GMR Airport Limited (GAL) to provide Cargo Handling Services at Manohar International Airport, Mopa, Goa through a bidding process, resulting in a 15.3% revenue share to the airport. The license has an initial period of 20 years effective from 16th November 2021.

Ground Handling (GH) Operations

1.4.5 Clause 18.2 of the Concession Agreement details GIAL's obligations towards provision of infrastructure required for ground handling services at Manohar International Airport, Mopa, Goa.

1.4.6 Subject to the provisions of the Concession Agreement, GIAL, Mopa, Goa has the right to grant License to any entity for providing Ground Handling Services at Manohar International Airport, Mopa, Goa on such terms and conditions to be mentioned in the License Agreement between GIAL and the potential service provider.

1.4.7 Pursuant to above terms of the Concession Agreement, GIAL has engaged Celebi Airport Services (India) Private Limited (CASIPL) for provision of such Ground Handling services at Manohar International Airport, Mopa, Goa through a bidding process, resulting in a revenue share of 5% in case of domestic and 30.5% in case of international and other services.

Fuel Facility Operations

1.4.8 GIAL, Mopa, Goa's obligations to provide fuel supply to the aircraft are detailed in clause 18.3 of the Concession Agreement. Subject to the terms of the Concession Agreement, GIAL has the right to grant a license to any entity for the provision of fuel supply to aircraft at Manohar International Airport, Mopa, Goa on terms and conditions specified in the License Agreement between GIAL and the potential service providers.

1.4.9 According to the conditions of the Concession Agreement, GIAL has sub-licensed Aircraft Fueling Services to Bharat Petroleum Corporation Limited for a period of 20 years under the framework of designing, building, financing, operation, maintenance, and transfer (DBFOMT). The Fuel Farm will operate on an "open access" model with a 15% & 5% revenue share to GIAL, Mopa, Goa from the gross revenue earned on account of Fuel Infrastructure Charges (FIC) and Into Plane charges respectively.

2 METHODOLOGY OF TARIFF DETERMINATION OF MANOHAR INTERNATIONAL AIRPORT

2.1 Tariff setting principles

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated 12th May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airports Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'the Act') read with AERA (Amendment) Act 2019 and 2021, which are as below:

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:

Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii).

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 13(1)(a);

f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.

2.1.2 As per the AERA Act, 2008 the following are the Aeronautical services:

i. Aeronautical Services Provided by the Airport Operators

ii. Cargo, Ground Handling and Fuel Supply Services; and

iii. Air Navigation Services

2.1.3 AAI shall be handling the Air Navigation Systems (ANS) at Manohar International Airport, Mopa, Goa. Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil

Aviation to ensure uniformity across the Airports in India. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

2.1.4 The Methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, the AERA (Terms and Conditions for determination of Tariff for Airport Operators) Guidelines, 2011 and further Guidelines issued by AERA from time to time.

2.1.5 The Authority had adopted the Hybrid-Till mechanism for tariff determination for the First Control Period wherein, 30% of the non-aeronautical revenues is to be used for cross-subsidizing the aeronautical charges.

2.1.6 The ARR for a given Control Period, under Hybrid Till, is calculated as

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

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

Where,

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

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

FRoR is the Fair Rate of Return for the Control Period

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

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

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

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

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

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

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

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

Where,

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

VE_t is the passenger traffic in year 't'.

2.2 Authority's Order applied in determination of Tariff of MIA, Mopa, Goa in this Tariff Order

2.2.1 The Authority's Orders applied in the tariff determination in this Tariff Order are:

i. Order No. 13 dated 12th January 2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28th February 2011 (Terms and conditions for determination of tariff for Airport Operators).

ii. Order No. 05 dated 02nd August 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 10th January 2011 and Direction No. 4 dated 10th January 2011 (Terms and conditions for determination of tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts).

iii. Order No. 07/2016-17 dated 13th June 2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).

iv. Order No. 14/2016-17 dated 23rd January 2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.

v. Order No. 20/2016-17 dated 31st March 2017 in the matter of allowing Concession to Regional Connectivity Scheme (RCS) Flights under RCS – Ude Desh ka Aam Nagarik (UDAN) at Major Airports.

vi. Order No. 35/2017-18 dated 12th January 2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09th April 2018 in the matter of determination of useful life of Airport assets.

vii. Order No. 42/2018-19 dated 5th March 2019 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India.

2.3 Control Period

2.3.1 The Authority noted that GIAL, Mopa, Goa as the greenfield airport, had submitted the MYTP for the period starting from 7th December 2022 (based on the completion certificate issued by the Independent Engineer) to 31st March 2023 together with control period of 5-year period commencing from 1.04.2023 to 31.03.2028.

2.3.2 The Authority noted that the Airport was commissioned on 7th December 2022 and commenced its commercial operations on 5th January 2023. Further, the Authority noted that the first year of operation only contains under 3 months. To give effect of a full term of 5 years, the Authority decided to consider the Control Period as effective from FY 2023-24 to FY 2027-28 together with considering the results of the period from COD to 31st March 2023

2.3.3 Accordingly, the Authority had reviewed the actuals for the period ended 31st March 2023 in Chapter 3 and considered the same in the computation of Aggregate Revenue Requirement in Chapter 12.

2.4 Past tariff determination history

2.4.1 The Authority vide Order No. 19/2022-23 dated 26th August 2022 allowed GIAL, Mopa, Goa to levy and collect the tariff for Aeronautical Services on an adhoc basis w.e.f. Commercial Date of Operation (COD) to 31st March 2023 or till the determination of the regular Aeronautical Tariff for the First Control Period, whichever is earlier. The Authority noted that the regular tariff determination was under process and will take some time and hence, the Authority further extended the existing tariff order for a period of six (06) months w.e.f. 01.04.2023 to 30.09.2023 or till the determination of regular tariffs for the relevant Control Period, whichever is earlier, vide Order No. 41/2022-23 dated 22nd March 2023.

2.4.2 The Authority vide Addendum to Order No. 19/2022-23 dated 11th September 2023 decided to increase the tariff for aeronautical services, approved vide Order No. 19/2022-23 dated 26th August 2022 as an interim arrangement, in respect of aeronautical services at Manohar International Airport, to ensure viable operations of the airport, w.e.f. 01.10.2023 upto 31.12.2023.

2.4.3 Order No. 25/2022-23 dated 7th October 2022 was issued granting approval to Celebi Airport Services (India) Pvt. Ltd. (CASIPL) to levy and collect on an adhoc basis, tariff for Ground Handling Services at the airport w.e.f. COD till 31st March 2023 or till the determination of the regular Tariff, whichever is earlier.

As requested by the Independent Service Provider (ISP), the Authority vide Order No. 42/2022-23 dated 23rd March 2023 allowed M/s Celebi Airport Services (India) Pvt. Ltd. to levy existing tariff, applicable as on 31.03.2023, for a further period of six months w.e.f. 01.04.2023 to 30.09.2023, or, till the determination of regular tariffs by AERA for the First Control Period. The Authority, vide Order No. 11/2023-24 dated 15th June 2023, determined the regular tariff for CASIPL, under the 'Light Touch Approach" for the First Control Period (FY 2023-24 to FY 2027-28).

2.4.4 GIAL, Mopa, Goa had sub-licensed the designing, building, financing, operation, maintenance and transfer of Cargo Terminal Facilities and Services at the Airport to GMR Airports Limited (GAL) for an initial period of 20 years as approved by GoG. GAL vide letter dated 14th July 2022 had requested the authority to allow it to levy adhoc tariff as proposed. Pursuant to the letter, the Authority, vide Order No. 28/2022-23 dated 14th November 2022 had allowed GAL to levy and collect tariff on an adhoc basis for Cargo Handling Services at the airport w.e.f. COD till 30th September 2023 or till the determination of the regular Tariff, whichever is earlier. The Authority, vide Order No. 20/2023-24 dated 27th September 2023, further extended the existing tariff for cargo services being provided by GAL till 31st March 2024 or till the determination of regular tariff, whichever is earlier.

2.4.5 As requested by the ISP, the Authority vide the Order No. 29/2022-23 dated 30th November 2022 has allowed Bharat Petroleum Corporation Limited (BPCL) to levy and collect, on an adhoc basis, tariff for Fuel Farm & Into Plane (ITP) Services w.e.f. COD till 30th September 2023 or till the determination of the regular Tariff, whichever is earlier. The Authority, vide Order No. 20/2023-24 dated 27th September 2023, further extended the existing tariff for fuel farm services being provided by BPCL till 31st March 2024 or till the determination of regular tariff, whichever is earlier.

2.4.6 In response to GIAL, Mopa, Goa letter dated 6th March 2023 regarding levy of adhoc tariff for Bridge Mounted Equipment Service, the Authority vide its Order No. 01/2023-24 on 18th April 2023, allowed GIAL, Mopa, Goa to levy and collect the tariff on adhoc basis w.e.f. 24.04.2023 to 30.09.2023 or till the determination of the regular Aeronautical Tariff for the First Control Period, whichever is earlier.

2.5 MYTP submissions by GIAL, Mopa, Goa

2.5.1 On 7th January 2022, GIAL, Mopa, Goa submitted its Multi-Year Tariff Proposal (MYTP) for the period from September 2022 to 31st March 2023, and the First Control Period from FY 2023-24 to FY 2027-28. The initial submission contained provisional figures for the period from September 2022 to 31st March 2023.

2.5.2 GIAL, Mopa, Goa upon commissioning of airport on 7th December 2022 and on commencement of its commercial operations effective from 5th January 2023, submitted the revised MYTP vide letter dated 29th March 2023. GIAL, Mopa, Goa incorporated adjustments related to various factors such as Revenues, FRoR and Operating Expenditure in the revised MYTP submitted. The revised MYTP has been taken up by the Authority for review and evaluation accordingly. The MYTP is available on the AERA's website.

2.5.3 The Authority vide email dated 13th June 2023, GIAL, Mopa, Goa was subsequently requested to provide the actual financials for the period ended 31st March 2023, which was submitted by GIAL on 26th June 2023.

2.5.4 The Authority has appointed M/s PKF Sridhar and Santhanam LLP (M/s PKF S&S LLP), an independent consultant, to assess the MYTP submitted by GIAL for Manohar International Airport, Mopa, Goa. M/s PKF S&S LLP assisted AERA in verifying the data from various supporting documents submitted by GIAL, Mopa, Goa such as audited Financial Statements, contracts awarded for expenses and revenues (mainly non aeronautical revenues) for examining the building blocks in tariff determination of COD till 31st March 2023 and First Control Period and also ensuring that the treatment given to it is consistent with the Authority's methodology, approach etc.

2.5.5 The Authority notes that the Fixed Asset Register (FAR) has not been provided by GIAL, Mopa, Goa (refer para 3.2.13) at the time of MYTP submission and even during the stakeholder consultation process concluded on 9th October 2023. Despite repeated follow-ups, the same has not been submitted by GIAL, Mopa, Goa till the date of issue of this Order. GIAL, Mopa, Goa had, vide email dated 4th December 2023 submitted that while the asset categorizations have been completed, the detailed preparation of FAR was underway and will be completed by February 2024.

Due to the non-availability of the FAR for the Assets capitalized as on COD, the same has not been reviewed by the consultant at this stage. In order to avoid delays in tariff determination caused due to the non-availability of the FAR, considering the interest of all stakeholders in mind, the Authority decides to issue the Order without carrying out a review of Fixed Asset Register. GIAL, Mopa, Goa is directed to submit the Fixed Asset Register before March 2024, which will be reviewed by the Authority, and observations, if any, will be considered at the time of determination of tariff for the next control period. GIAL, Mopa, Goa in future, is advised to ensure that the Asset Register is updated and available within a reasonable time.

2.5.6 The Authority through its Independent Consultant has examined the revised MYTP submitted by GIAL, Mopa, Goa and verified the data and the projections accordingly. The Authority requested various clarifications on the information shared by GIAL, Mopa, Goa to assess the reasonableness of the proposed capital expenditure, Operating expenditure, Non-aeronautical revenue, FRoR, etc., for finalizing the Consultation Paper. GIAL, Mopa, Goa provided additional information based on clarifications sought and queries raised by the AERA from time to time. All the information has been used to finalize this Tariff Order.

Financing Allowance

2.5.7 The Authority, through its Independent Consultant (M/s PKF S&S LLP), examined the computation and application of the Financing Allowance to be given to GIAL, Mopa, Goa, being a Greenfield Airport. The Consultant has also taken cognizance of the Independent Study report conducted by M/s KITCO in this regard. Furthermore, the Consultant has done a thorough review while computing the financing allowance to be provided during the first tariff cycle for GIAL, Mopa, Goa, as detailed in Chapter 5 of the Tariff Order.

Related Party Transactions

2.5.8 The Authority through its Independent Consultant conducted an analysis of the tendering procedures implemented/adopted by the Goa International Airport Limited (GIAL), Mopa, Goa and has reviewed the associated contract agreements concerning operating expenses and revenues entered into with related parties. The Concession Agreement entered by GIAL, Mopa, Goa details the process to be followed for award of contracts to related parties as given below:

"5.6.2 For procurement of goods, works or services and for award of leases, licenses, sub-licenses or any other rights or privilege where the consideration exceeds Rs. 25,00,00,000 (Rupees twenty-five crores) in any Accounting Year (collectively the "Contracts"), the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under Clause 5.6.1. For the avoidance of doubt, the Parties agree that the Concessionaire may, in its discretion, pre-qualify and short-list the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm's length in a manner that is commercially prudent and protects the interests of the Users. The Parties further agree that the Concessionaire shall not enter into any Related Party Transaction or Contract with any Related Party except with (a) with the prior written consent of the Authority, which consent shall not be unreasonably withheld as a reserved item/affirmative action in accordance with the terms of the Shareholders' Agreement; and (b) such transaction is on arm's length basis and is in compliance with the provisions of the Companies Act, 2013. The Parties also agree that before granting any consent hereunder, the Authority shall be entitled to seek such information as it may reasonably require in relation to the Contract and the Related Party with whom the Contract is proposed to be executed and in the event the Authority does not approve or reject the proposal within 30 (thirty) days of the date on which the required information has been provided, it shall be deemed that the Authority (GoG) has no- objection to such Contract.

5.6.3 Notwithstanding anything contained contrary elsewhere, the Concessionaire shall adhere to the following contracting principles in respect of any of the Related Party Transactions:

"(a) No shareholder of the Concessionaire, and/or Key Managerial Person that has an interest in the contract, can be involved in the design of the contract, or the contracting process or decision-making;

(b) Where a shareholder of the Concessionaire, Key Managerial Person or any Related Party intends to tender for the contract, an independent probity auditor must be appointed to review and monitor the tender to ensure a complete arms' length arrangement. It is clarified that the independent probity auditor shall not be a Related Party of the Concessionaire or any of its shareholders. Concessionaire shall agree to the appropriate terms of reference and the selection procedure of the independent probity auditor as laid down by the Authority; and

(c) The Concessionaire shall constitute an audit committee headed by a nominee of the Authority which would be responsible for auditing all the Related Party Transactions. The Board of the Concessionaire shall provide the terms of reference of the audit committee at the time of its constitution. The Concessionaire shall enter into any Related Party Transaction only after

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obtaining approval of audit committee in writing. Any amendment / modification in the terms and conditions of the Related Party Transaction shall also require prior approval of the audit committee."

The Authority noted that GIAL, Mopa, Goa has engaged various Related Parties for providing various services as mentioned below:

Table 5: Services provided to GIAL by related parties as noted by the Authority during Consultation Stage

S. No.	Nature of Service	Name of the Related Party	Description of Relationship
1.	Cargo Operations	GMR Airports Limited	Holding Company
2.	Ground Handling Services	Celebi Delhi Cargo Terminal Management India Private Limited*	Joint Venture of Fellow Subsidiary
3.	Master Service Agreement to operate and manage Non-Aeronautical Facilities	GMR Airports Limited	Holding Company
4.	Project Management Consultancy	GMR Airport Developers Limited	Fellow Subsidiary
5.	Engineering & Maintenance Services (R&M)	GMR Airport Developers Limited	Fellow Subsidiary
6.	Security Services	Raxa Security Services Limited	Fellow Subsidiary
7.	Solar Power on Build, own, operate and transfer basis	GMR Solar Energy Private Limited	Companies in the same group

**Refer para 2.8.3 and Table 8 for updated list of Related Parties*

The Authority had sought confirmation from GIAL, Mopa, Goa that due process has been followed as per appropriate governance practices and that Probity audit reports were submitted to GoG and approved by GoG. GIAL, Mopa, Goa had confirmed the same.

The Authority expects GIAL to comply with the defined requirements of the Concession Agreement without any deviations and that contracts are awarded with a view to ensure protection of interest of all the stakeholders. This compliance will be reviewed by the Authority during the review and true up to be carried out in the next control period.

2.5.9 Timeline of various submissions made by GIAL, Mopa, Goa are as given below.

Table 6: MYTP submissions by GIAL, Mopa, Goa

Activity	Date
MYTP submission	7th January 2022
Initial Requirement List	14th December 2022
Discussion of queries and responses with GIAL, Mopa, Goa	24th January 2023
Data receipt based on additional queries and clarifications	4th February 2023
Revised MYTP submission	29th March 2023
Data Receipt based on queries and responses after analyzing the revised MYTP submission	April 2023 to June 2023
Audited Financial Statement for the year ended 31st March 2023	26th June 2023

Activity	Date
Clarifications on various building blocks	June 2023 to August 2023

2.5.10 After examination of revised MYTP and other details submitted by GIAL, the Authority issued Consultation Paper No. 11/2023-24 dated 31st August 2023. The Authority invited comments from the stakeholders by 29th September 2023 and counter comments by 9th October 2023. Following the release of the Consultation Paper, the Authority convened a meeting of stakeholders on 15th September 2023. The minutes of the meeting are available on AERA's website.

2.5.11 The following stakeholders have provided their comments on the Consultation Paper No. 11/2023-24 which are available on AERA's website:

i. Manohar International Airport Limited (MIA)
ii. Airports Authority of India (AAI)
iii. Lucknow International Airport Limited (LIAL)
iv. Association of Private Airport Operators (APAO)
v. International Air Transport Association (IATA)
vi. Federation of Indian Airlines (FIA)
vii. Associated Chambers of Commerce and Industry of India (ASSOCHAM)
viii. AI Airport Services Limited (AIASL)

Table 7: Regulatory building blocks with names of Stakeholders who commented on each building block

Component impacting tariff determination of the First Control Period	Name of the Stakeholder who has provided comments
Process of Tariff Determination	FIA, IATA, GIAL, ASSOCHAM and AIASL
Tariff determination from COD to 31st March 2023	GIAL
Traffic for the First Control Period	GIAL, APAO, AAI and LIAL
Capital Expenditure, Depreciation and Regulatory Asset Base for the First Control Period	GIAL, FIA, APAO, AAI and LIAL
Fair Rate of Return for the First Control Period	GIAL, APAO, FIA, ASSOCHAM and LIAL
Inflation for the First Control Period	GIAL
Operation and Maintenance Expenses for the First Control Period	GIAL, APAO, FIA and LIAL
Non-aeronautical revenue for the First Control Period	GIAL, IATA, FIA, APAO and LIAL
Taxation for the First Control Period	GIAL
Quality of Service for the First Control Period	GIAL
Tariff Card	GIAL, IATA, FIA and AAI
ARR for the First Control Period	LIAL and FIA

Note: The Authority notes that FIA has referred to various Appendices in its submissions, but these have not been submitted to the Authority

2.5.12 No inputs were received from Ministry of Civil Aviation (MoCA) and written comments of GoG as part of the consultation process.

2.5.13 The counter comments from Airport Operator on the comments from other stakeholders were received on 09th October 2023. Thus, the stakeholders' consultation process concluded on the receipt of counter comments by the Airport Operator on 09th October 2023. GIAL has stated that they agree with the comments submitted by APAO, LIAL and ASSOCHAM and hence no counter comments were submitted on the same by GIAL.

2.5.14 GIAL, Mopa, Goa has made additional submissions on certain subsequent developments post the timeline for submission of comments on the Consultation Paper. As the Stakeholders' consultation process completed on the receipt of counter comments of the Airport Operator on 09th October 2023, and as these developments received after the closure of consultation process have not been presented to the stakeholders, in consideration of section 13(4) of AERA Act, 2008 and ICAO principles of transparency and user consultation, these have not been considered by the Authority.

2.6 Stakeholders' comments regarding the methodology of determination of tariff for the First Control Period of Manohar International Airport, Mopa, Goa

2.6.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 11/2023-24 with respect to the methodology of determination of tariff for the First Control Period. The comments by the stakeholders are presented below:

GIAL's comments regarding the methodology of determination of tariff for the First Control Period:

2.6.2 GIAL's comments regarding the related parties with whom transactions have been undertaken is as follows:

"The name of the entity providing "Ground Handling Services" at Mopa, Goa is "Celebi Airport Services (India) Private Limited." The name mentioned in the Consultation Paper "Celebi Delhi Cargo Terminal Management India Private Limited" is incorrect. Further, this party is not a "related party" of GGIAL. Hence, we request that this party may be removed from the Table No. 5 in Section 2.5.7 during final order."

Other Stakeholders' comments regarding the methodology of determination of tariff for the First Control Period:

2.6.3 FIA's comments regarding revenues from Air Navigation Services are as follows:

"It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), "aeronautical services mean any services provided –

(i) For navigation, surveillance and supportive communication thereto for air traffic management.

It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services should form part of aeronautical revenues and accordingly AERA should take into account the corresponding revenue and revise the tariff card."

2.6.4 FIA's comments regarding Regulatory Till and Principles of Determination of Tariff are as follows:

"It is observed that AERA has determined tariff using the 30% Hybrid Till model including true ups, as applicable. FIA have advocated the application of Single Till model across the airports in India and submits that AERA should adopt Single Till across all control periods, including by way of true up.

In a Shared/Hybrid till model, the airport operator has the incentive to skew the asset base towards aero assets, thereby having a higher capital base for calculation of return offered by the regulator. Since in the current case, the share of aero and non-aero assets is delinked from revenues, the operator is motivated to skew revenues towards the non-aero segment which is uncontrolled in terms of tariff determination.

FIA have further carried out sensitivity analysis to understand the impact of shared till approach vis-à-vis single till approach. The analysis indicates that by adopting a single till approach, the PV of Net ARR as per the CP will reduce by INR 249 crores (8%). For more details, please refer to Appendix I."

2.6.5 FIA's comments regarding Related Party Transactions are as follows:

"With regard to the award for provision of services by GIAL at GOX, seven Related Party transactions have been disclosed in para 2.5.7 of the CP. While we appreciate AERA conducting an independent analysis of the transactions, however it is to be noted that, AERA has:

a) only sought confirmation from GIAL on the RPT instead of a review of the same.

b) sought compliance on the same which will be trued up during the next control period.

FIA submits that in our view, the above may not be a prudent approach and AERA should conduct the RPT compliance check including the following in this control period.

In this regard, we request AERA to kindly ensure that (a) the provisions of Concession Agreement ('CA') have been complied with; (b) tendering and awards for services must go through a competitive, transparent and fair process; (c) agreement with related parties shall not have any onerous terms, aggressive cost escalation, restrictive covenants, unfair lock in period or cost escalations or any other terms that may arise from awards to Related Parties, which is not in favor of airport user/other stakeholders.

It is not in the interest of the stakeholders that related parties be awarded agreements for services (or otherwise) as there is fear of multi-layered transactions between / among airport operators or their Joint Ventures or their Holding / Subsidiary / Sister Subsidiary companies (or business associates by whatever name called), which is not efficient for the eco-system, and should be banned.

AERA is also requested to clarify the following:

As per para 2.5.7, refer Table 5, GIAL has confirmed that the agreements for the various services, and in particular the Master Services Agreement (MSA) to operate and manage non-aeronautical facilities, has been approved by Govt. of Goa (GoG). However, in para 9.2.9, 9.2.10 and 9.2.11 of the consultation paper it is mentioned that GoG directed GIAL to cancel this MSA. It is also mentioned that the retendering process would be completed by September 2023.

In view of the above statements:

The authority is requested to clarify that if the MSA was cancelled as per para 9.2.9, then whether cancellation as mentioned in para 2.5.7 is in contradiction of the same.

In addition, the Authority is requested to inform whether the retendering has been completed, and if so, to whom it was awarded to, and whether it has the clearance of GoG.

FIA submits that during the review period, GIAL has entered into related party transactions amounting to INR 318 crores (excluding the cargo operations and cargo ground handling service revenue), which is 8.35% of the ARR proposed by AERA during this control period. Hence, it is pertinent to note that for 8.35% of the determination of Net ARR, AERA is relying on the confirmation submitted by GIAL, however, the requirement is of an independent evaluation of these transactions to be conducted by AERA for the process of tariff determination.

It may also be noted that during the consultation meeting held on September 15, 2023, for discussion on the Consultation paper, one of the stakeholders (AIASL) had mentioned that it was not allowed to conduct ground handling business at the Airport. We request AERA to kindly review the same."

2.6.6 FIA's comments regarding shrinkage in control period are as follows:

We submit that the Hon'ble TDSAT Order dated 16 December 2020 for BIAL stated as follows:

'100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed...'

FIA appreciates AERA's efforts of spending considerable time on the consultation process and assessment of the information provided by Airport Operator. However, despite relying on information provided by the Airport Operator in many instances there is an inordinate delay in tariff fixation, which has diminished the effective Control period of 60 months by 9-10 months and will lead to burdening of passengers travelling during balance period of 52 months. This further leads to a mismatch between the recovery of target revenue with the actual/projected revenue.

In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines as the AERA Tariff Order for GIAL - First Control Period, will now be issued after the commencement of the Control Period i.e., 1st April 2023.

2.6.7 FIA's comments regarding royalty are as follows:

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 a general perception that 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 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 the airport are as high as up to 30.5% 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.

This is of particular concern at GOX, since as many as seven of the services awarded at GOX (refer para 2.5.7 and Table 5 of the CP) have been to either GIAL's Holding Company or its Fellow Subsidiary or JVs of Fellow Subsidiary or Companies in the same group. In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items.

2.6.8 IATA's comments regarding impact of lack of competition in Ground Handling are as follows:

IATA would also like to highlight concerns about the impact on airline costs on account of the lack of competition in Ground Handling (GH) operations. This is evident from the way that the GHA revenue share is structured. In the case of domestic operations where there is competition from the self-handling undertaken by domestic airlines, the revenue share is at 5%; however, it is six times higher (30.5% revenue share) in the case of GH services for international airlines. This is unfair and discriminatory *and highlights a lack of regulatory oversight. We request that his concern be addressed in the final tariff order for GOX.*

2.6.9 IATA's comments regarding related party transactions are as follows:

IATA would like to highlight issues that will impact on the overall airport revenue on account of various related party transactions being undertaken by the AO.

- *It is noted that Goa International Airport Limited (GIAL) is owned to an extent of 99.99% by GAL (GMR Airports Limited) and one golden share is held in favor of the Government of Goa.*
- *Further, GIAL has awarded the cargo facility license, among others to GAL, its own holding company (against a 15.3% revenue share).*
- *It should be noted/highlighted that the holding company (GAL) has bid and won not just a standalone concession but has been awarded multiple such concessions by its own subsidiary GIAL.*
- *The resultant impact of this concession design of each such concession accorded to its own holding company/related party/company subsidiary, leads to an artificial lowering of the AO's (GIAL's) own revenue in favor of revenues generated by the parent/holding/ or related party firms.*
- *We would like to query whether the Government of Goa/the Authority has been made aware or has independently studied the impact of such related party arrangements (and the resultant artificial lowering of the gross revenue of GIAL) on the "Annual Premium" of 36.99% offered by the concessionaire at the time of bid for development of the new greenfield airport at Mopa. Was such an analysis regarding the impact on the "Annual Premium" amount undertaken before the Government of Goa / the Authority providing its consent for such related party transactions?*
- *It is also noted that amongst the various services at the airport, 7 of these have been awarded to the holding company (GAL) or other related/fellow subsidiaries. Additionally, all of the non-aeronautical services (like parking, retail, duty-free etc.) have also been awarded to the parent/holding company (GAL).*
- *We would request more information disclosure on this aspect; has GAL bid for and awarded similar services at other airports, on what terms were these services won by GAL, and what were the findings/role/observations of any appointed audit committee in most of the GIAL services being bagged by parent/related parties of GIAL.*
- *For most of the services, it is also noted that there is only one service provider. There is no evidence provided on price discovery for these services, and it is similar to an extension of monopoly power at the airport to related companies.*

2.6.10 ASSOCHAM's comments regarding viability of airports are as follows:

Government of India has given in writing that civilian enclave at Dabolim Airport will continue to function even after commissioning of Mopa Airport. Therefore, Goa will become a unique state in the country to have two international airports conducting civilian operations in close proximity. It therefore becomes imperative for the airport to sustain in the competitive environment while delivering the best-in-class service.

In order for the airport to survive, ASSOCHAM requests AERA to ensure commercial viability of Manohar International Airport which is also a mandate as per Section 13 (10(a)(iv) of the AERA Act.

At the same time, it is important to account for the actual transactions of the airport and reimburse the costs through appropriate charges. As the airport is new the capital cost forms a major component of the cost drivers which have to be appropriately factored and the industry should be promoted by way of reasonable return to incentivize better performances.

2.6.11 AIASL's comments regarding ground handling are as follows:

"1.3 Rule 92 of the Aircraft Rules, 1937 provides that the licensed public aerodromes shall, while providing ground handling services themselves, ensure a competitive environment and allow the ground

handling service providers permitted by the Central Government to provide ground handling to such aerodromes without any restrictions. These ground handling service providers shall, however, be subject to security clearances of the Central Government. As such, it is for the Central Government to decide the agencies, which can provide ground handling services at various aerodromes and the eligibility criteria for such service providers."

Kindly be informed that AIASL is an authorized Ground Handling Agency (GHA) with necessary security clearances from the Central Government / BCAS. Further, as per the above clause, we have appealed to GMR Top Management to consider appointing and allowing AIASL to perform Ground Handling services at GMR Goa International Airport / Manohar Parrikar Airport – Mopa as the Airport Operator should ensure a competitive environment for performing Ground Handling services.

As it is to highlight that presently only one Ground Handling Agency is providing GH services at this Mopa airport. Looking into the potential growth of this airport, an additional GH Agency will provide a healthy competition minimizing the monopolistic disposition of the airport.

2.7 GIAL's response to stakeholders' comments regarding methodology of determination of tariff for the First Control Period of Manohar International Airport, Mopa, Goa

2.7.1 GIAL has responded to FIA's comment regarding revenues from Air Navigation Services as follows:

FIA proposed that revenue from Air Navigation Services should form part of aeronautical revenues, and accordingly, AERA should take into account the corresponding revenue and revise the tariff card. In this regard, it is stated that in the case of GGIAL, the designated GOI Agency shall be entitled to levy, collect and appropriate the Route Navigation Facilities Charges from airlines in accordance with the Applicable Laws. This can be seen from Clause 32.2.2 of the Concession Agreement which is reproduced below.

"32.2 Collection of Navigation Charges

32.2.1 The Designated GOI Agency shall be entitled to levy, collect and appropriate the Route Navigation Facilities Charges from airlines in accordance with Applicable Laws. In the event of failure of any airline to pay such charges, the Designated GOI Agency shall be entitled to suspend provision of such service. to the airline and take such steps as it deems fit to recover the charges from such airline."

It is apparent from the above that these services cannot be undertaken by GGIAL, hence, no revenue accrues to GGIAL corresponding to Air Navigation services.

2.7.2 GIAL has responded to FIA's comment regarding Methodology of Tariff Determination as follows:

In this regard we would like to refer to para 32.3.2 of the concession agreement awarded to GGIAL wherein the mechanism of Till frameworks is made applicable to GGIAL. The relevant paragraph of the concession agreement is reproduced below:

"32.3 Principles of Determination and Revision of Aeronautical Charges 32.3.2 The GoI has, vide its letter no. F. No. AV.2101111212013-AD dated April 13, 2015, approved the 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions of this Agreement. For avoidance of doubt, revenues of the Concessionaire from City Side Development shall be excluded from the shared-till framework for the determination and regulation of the Aeronautical Charges."

It is evident from above that the application of Till shall be 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, with the exclusion of revenues from City Side Development. Further, reference is invited to AERA order bearing no. 14/2016-17 dated 12th January 2017 (issued on 23rd January 2017) in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provision of the National Civil

Aviation policy 2016 (NCAP-2016) approved by Government of India. In the stated order the Authority had decided that

The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenue 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. Hence, the objection of FIA is not sustainable.

2.7.3 GIAL has responded to FIA's and IATA's comment regarding related party transactions as follows:

With respect to related party transactions, we would like to state that entering into such transactions is not prohibited and there is no substance in alleging the impact of such transactions on Airport revenues. In fact, these allegations are merely on the basis of FIA's surmises and conjectures. We have ensured that (a) the provisions of Concession Agreement ('CA') have been complied with; and (b) tendering and awards for services is based on competitive, transparent and fair process; GGIAL is required to adhere to following principles while awarding any RPT contracts:

- *Prior written consent from Govt. of Goa*
- *Transaction to be on arm's length basis and in compliance to the provisions of Company's Act.*
- *No shareholder or KMP that has an interest in the contract to be involved in the design of the contract or contracting process.*
- *Independent Probity Auditor to be appointed to review and monitor the tender.*
- *Audit Committee headed by the nominee Director of Govt. of Goa to be responsible for auditing all the RPTs.*

Compliance with respect to CA provision for Related Party Transactions

- *In compliance to CA provisions, GoG vide its letter dated 14th February 2017 provided the selection procedure to be followed by GGIAL for appointing an independent probity auditor to review and monitor the related party tendering process.*
- *Following the above procedure and after undertaking competitive bidding process, GGIAL selected the services of M/s BNSPY & Associates for providing probity audit services while undertaking any RPT transaction by GGIAL.*
- *For entering into any RPT, GGIAL follows the SOP approved by Govt. of Goa that is in compliance with the provisions of CA and procurement policy adopted by the Board.*
- *Typical Process adopted by GGIAL while undertaking any bidding wherein RPT is also participating in the tendering process:*
    - *Probity Auditor Appointment: Probity Auditor is appointed with the approval of the Board of Directors of GGIAL. The scope of the Probity Auditor includes the following:*
        - *To review and monitor the tender to ensure complete arms' length arrangement.*
        - *To oversee the bid process in line with the requirements of the CA;*
        - *To certify that the entire tender process has been monitored and conducted on an arms' length basis and in compliance to the provisions of the CA and the Companies Act, 2013.*
    - *Tender notice is published in Newspaper and also uploaded on our website http://www.gmrgroup.in/GMR-Goa-International-Airport.aspx.*
    - *Pre bid Queries received from the bidders are clarified by the Technical Team & responses are uploaded on e-procurement platform.*
    - *Bidders are required to submit their proposal in two cover systems – Technical & Financial Price online, within the bid submission end date.*
    - *Technical Bids are open online and provided to technical team for evaluation. If required, bidders are asked to make technical presentations.*

- *Post technical evaluation and qualification, financial bids of qualified bidders are opened online.*
- *If required, negotiations are undertaken with bidders with the objective to optimize the offerings.*
- *If the Related Party of GGIAL becomes the selected bidder on the completion of the bidding process, before the award of the contract, the proposal is submitted to the Govt. of Goa for concurrence.*
- *Post GoG concurrence, the same is presented to Audit Committee and to the Board of Directors along with the certificate issued by the Independent Probity Auditor, for its approval.*

GGIAL has strictly adhered to the concession agreement guidelines while awarding contracts to related parties. Further, GGIAL also submitted Probity Auditor Report & GoG approval to AERA. Hence, the objection of FIA and IATA is not sustainable.

2.7.4 GIAL has responded to FIA's comment regarding shrinkage in control period as follows:

FIA requested AERA to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines. As the AERA Tariff Order for GIAL - First Control Period, will now be issued after the commencement of the passengers will be burdened due to shrinkage of control period. In this regard it is stated that delay in order provided benefit to passenger / airlines on account of levy of low tariff from April'23 till implementation of final order.

Moreover, GGIAL is recovering ARR proposed by AERA without any carrying cost during the control period. Thus, FIA is misleading that passengers will be burdened due to shrinkage of control period.

2.7.5 GIAL has responded to FIA's comment regarding royalty as follows:

GGIAL is unable to understand Royalty referred to by FIA. We request further information on this. Upon receipt of the detailed information, we reserve our right to submit our response.

2.7.6 GIAL has responded to stakeholders' comments regarding Ground Handling as follows:

AIASL highlighted that presently only one Ground Handling Agency is providing ground handling services at this Mopa airport. Looking into the potential growth of this airport, an additional ground handling Agency will provide healthy competition minimizing the monopolistic disposition of the airport. Further, AIASL have appealed to GMR Top Management to consider appointing and allowing AIASL to perform Ground Handling services as the Airport Operator should ensure a competitive environment for performing Ground Handling services.

Further, FIA requested the Authority to review the matter in which AIASL mentioned that it was not allowed to conduct Ground handling business at the Airport.

In this regard it is stated that, GGIAL has developed the Manohar International Airport ("MIA") having the terminal building capacity and the current forecast of annual passenger throughput at less than 10 million passengers per annum. With this low passenger handling, the business proposition and the government guidelines permit one ground handler at the MIA.

Para 2.5 of the AIC, dated 25th Feb 2022, pertaining to Grant of Permission for Providing Ground Handling Services at Airports Other than those belonging to the Airports Authority of India ("policy"), reads as follows:

"2.5 At the airport having annual passenger throughput of less than ten million passengers per annum, based on the traffic output and airside and terminal building capacity, the airport operator may decide on the number of ground handling agencies, not exceeding three, including that of, - (a) the airport operator or its joint venture or its hundred percent owned subsidiary; (b) a Joint Venture or a subsidiary of Air India; and (c) any other ground handling agency appointed by the airport operator through a transparent bidding process."

In line with the Policy and business requirements, we have followed a competitive bidding process and awarded the license to the selected bidder for undertaking Ground Handling services at MIA. As part of the bidding process, RFP was floated during Mar'2021 and award for GH agency was formalized by execution of the agreement in Feb'2022.

Going forward, as our business grows and the passenger throughput crosses 10 million passengers per annum, we shall ensure that there will be three ground handling agencies. It is also pertinent to note that the charges for ground handling services are regulated by AERA with the purpose of checking the levy of the excessive charges. Hence, the objection of AIASL, IATA and FIA is not sustainable.

2.8 Authority's analysis on Stakeholders' comments regarding the process of determination of tariff

Tariff relating to ANS services

2.8.1 The Authority notes FIA's comments regarding the inclusion of revenue from Air Navigation Services (ANS) in Aeronautical revenues and GIAL's response that ANS services are not provided by GIAL. The Authority notes that tariff for ANS is presently regulated by the Ministry of Civil Aviation (MoCA), centrally 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. AERA determines tariff for Aeronautical services provided by the Airport Operator. In this exercise, any assets, expenses and revenues relating to ANS are not considered.

Methodology of Tariff Determination

2.8.2 The Authority notes FIA's comments regarding Methodology for tariff determination and GIAL's response to the same. Determination of future tariff under Hybrid Till mechanism is as per the recommendation of the National Civil Aviation Policy 2016 (NCAP 2016) of GoI and the Tariff guidelines vide AERA Order No. 14/2016-17 dated 12th January 2017 in this regard. The excerpt from the same has been provided below:

"(i) The Authority will in future determine the tariff of major airports under "Hybrid Till" wherein 30% 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 mechanism has been followed to determine the aeronautical tariff uniformly across all the major airports. It is also relevant to note that 30% Hybrid Till model, as currently implemented in the background of NCAP, strikes an appropriate balance between the interests of the airport operator and airport users. This provides a transparent framework for tariff determination that considers both Aero and Non-Aero activities. Also, the Authority notes that the Concession Agreement (Clause 32.3) specifies about 30% shared till framework as the applicable methodology for Manohar International Airport, Mopa, Goa.

Related Party Transactions

2.8.3 The Authority notes GIAL's comment regarding the names of related parties and has updated the same in the Tariff Order as below:

Table 8: Updated list of service provided to GIAL by related parties

S. No.	Nature of Service	Name of the Related Party	Description of Relationship
1.	Cargo Operations	GMR Airports Limited	Holding Company
2.	Master Service Agreement to operate and manage Non-Aeronautical Facilities	GMR Airports Limited	Holding Company
3.	Project Management Consultancy	GMR Airport Developers Limited	Fellow Subsidiary
4.	Engineering & Maintenance Services (R&M)	GMR Airport Developers Limited	Fellow Subsidiary
5.	Security Services	Raxa Security Services Limited	Fellow Subsidiary
6.	Solar Power on Build, own, operate and transfer basis	GMR Solar Energy Private Limited	Companies in the same group

2.8.4 The Authority notes the comments made by IATA and FIA regarding related party transactions (RPTs) and GIAL's response to their comments. The Authority's analysis in this regard is presented below:

FIA emphasized the necessity for AERA to conduct a comprehensive review of RPTs, rather than solely relying on confirmation from GIAL, Mopa, Goa. It is pertinent to note that Engineers India Limited (A GoI enterprise) had been appointed as an Independent Engineer by the GoG for the Project, who has reviewed all Capital Expenditure costs and the relevant contracts. Further, all Related Party transactions have been reviewed and approved by GoG as per the requirements prescribed under the Concession Agreement.

Also, M/s KITCO (A Government of India enterprise), appointed by the Authority for the study of capital expenditure, has evaluated the efficiency and reasonableness of the related party transactions relating to Capital Expenditure. The Authority, through its Independent Consultants, during its evaluation, also identified certain contracts with Related Parties where the selection conditions were found to be restrictive and has accordingly rationalised the cost. AERA has carried out a thorough evaluation and after examining the tendering although already cleared by the Independent Engineer, M/s EIL and Government of Goa, decided a deduction of 0.5% (Rs. 41 lacs) from the PMC fees of Rs. 82 crores and necessary adjustments in this regard were made based on its analysis. (Refer **Appendix-I**)

Therefore, FIA's comment on Authority's approach does not entirely capture the thoroughness of the Authority's evaluation.

FIA's comments on compliance checks with respect to the relevant conditions of the Concession Agreement during the current control period falls under the agreement between GIAL and GoG. GIAL, Mopa, Goa is responsible for ensuring adherence to the provisions detailed in the Concession Agreement as presented below and ensuring a competitive, transparent and fair tendering process. A mechanism for governance and review of RPTs has been defined below which is to be reviewed by GoG. Further, the Authority notes that GoG representative is also part of the Board of Directors of the Company ensuring compliance to laid down Governance process and the requirements of the Concession Agreement.

5.6.2 For procurement of goods, works or services and for award of leases, licenses, sub-licenses or any other rights or privilege where the consideration exceeds Rs. 25,00,00,000 (Rupees twenty-five crores) in any Accounting Year (collectively the "Contracts"), the Concessionaire shall invite offers through open competitive bidding by means of e tendering and shall select the awardees in *accordance with the policy specified under Clause 5.6.1. For the avoidance of doubt, the Parties agree that the Concessionaire may, in its discretion, pre-qualify and short-list the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm's length in a manner that is commercially prudent and protects the interests of the Users. The Parties further agree that the Concessionaire shall not enter into any Related Party Transaction or Contract with any Related Party except with (a) with the prior written consent of the Authority, which consent shall not be unreasonably withheld as a reserved item/affirmative action in accordance with the terms of the Shareholders' Agreement; and (b) such transaction is on arm's length basis and is in compliance with the provisions of the Companies Act, 2013. The Parties also agree that before granting any consent hereunder, the Authority shall be entitled to seek such information as it may reasonably require in relation to the Contract and the Related Party with whom the Contract is proposed to be executed and in the event the Authority does not approve or reject the proposal within 30 (thirty) days of the date on which the required information has been provided, it shall be deemed that the Authority has no objection to such Contract.*

5.6.3 Notwithstanding anything contained contrary elsewhere, the Concessionaire shall adhere to the following contracting principles in respect of any of the Related Party Transactions:

(a) No shareholder of the Concessionaire, and/or Key Managerial Person that has an interest in the contract, can be involved in the design of the contract, or the contracting process or decision-making.

(b) Where a shareholder of the Concessionaire, Key Managerial Person or any Related Party intends to tender for the contract, an independent probity auditor must be appointed to review and monitor the tender to ensure a complete arms' length arrangement. It is clarified that the independent probity auditor shall not be a Related Party of the Concessionaire or any of its shareholders. Concessionaire shall agree to the appropriate terms of reference and the selection procedure of the independent probity auditor as laid down by the Authority; and

(c) The Concessionaire shall constitute an audit committee headed by a nominee of the Authority which would be responsible for auditing all the Related Party Transactions. The Board of the Concessionaire shall provide the terms of reference of the audit committee at the time of its constitution. The Concessionaire shall enter into any Related Party Transaction only after obtaining approval of audit committee in writing. Any amendment / modification in the terms and conditions of the Related Party Transaction shall also require prior approval of the audit committee."

The Government of Goa (GoG) plays a pivotal role as a shareholder in MIA, Mopa, Goa, thus sharing a significant responsibility for overseeing related party transactions (RPTs) within this framework. The Authority notes that during the Stakeholders' consultation meeting conducted by the Authority on 15th September 2023, the representative from the GoG confirmed that wherever Related Party transactions were observed, arms' length pricing has been maintained and that a Probity auditor's report has also been sought and reviewed for the same and then duly approved.

However, AERA recommends that the aspect of Related Parties in an Airport be avoided so that the spirit of Public Private Partnership model in development of Airport Infrastructure is maintained holistically for the benefit of all Airport Users.

Furthermore, the Authority expects GIAL/GoG to ensure the following while entering into Related Party Transactions:

i. The requirements of the Concession Agreement are followed in both letter and spirit at all times.

ii. Related parties engaged for a particular service possess the requisite experience and expertise in carrying out similar services in other airports etc.

iii. The interests of all stakeholders are safeguarded to enable the optimization of aeronautical charges.

With respect to FIA's query on re-tendering, the Authority notes from GIAL that re-tendering regarding Non-Aeronautical revenues and contract award is in process.

Shrinkage of Control Period

2.8.5 The Authority has noted FIA's comments regarding the recovery burden on account of shrinkage in the Control Period and GIAL's comments on the same. The tariff determination process for GIAL was conducted as per the AERA Act, 2008, AERA Guidelines of 2011 and the relevant provisions outlined in the Concession Agreement (CA). It is to be submitted that the Authority's analysis is exhaustive in nature and requires reasonable amount of time to examine and evaluate the various building blocks, keeping in mind the need to balance the interest of all stakeholders. During the process of evaluation, the Authority has sought various clarifications from the Airport Operator on the various regulatory building blocks that form the basis for the determination of aeronautical tariffs.

AERA generally mandates early submission of the tariff proposals by the Airport Operators. It is to be noted that Manohar International Airport, Mopa, Goa is a greenfield airport, and GIAL had submitted its revised Multi-Year Tariff Proposal (MYTP) three months after achieving the Commercial Operation Date (COD) i.e., 29th March 2023 based on its assessment of actual cost incurred etc. Also, in view of large-scale Capital Expenditure incurred by GIAL being Greenfield Airport, the Authority has commissioned an independent study to evaluate the need, efficiency and reasonableness of the capital expenditure projects undertaken by the Airport Operator. This is an intense activity involving review of Master Plan, assessment of traffic forecast, review of contract documents and process, assessing the actual works carried out at site etc.

Also, the Authority has, in case of GIAL had, in advance, provided for adhoc tariff, from the date of commercial operation date i.e., 05th January 2023 which includes charges towards Landing, Parking and UDF by considering probable impact of all building blocks in the future vide its Order No 19/2022-23 dated 26th August 2022, and further issued updated tariff order vide Addendum to Order No. 19/2022-23 dated 11th September 2023, to mitigate the issue raised by FIA.

Royalty Fee

2.8.6 The Authority noted the comments of FIA on 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. 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 ARR.

In case of Non-Aeronautical Revenues, the revenues are agreed on a commercial arrangement between the Concessionaires and Airport Operator. The Authority considers 30% of the Non-Aeronautical Revenues, after due evaluation of the same, for cross subsidisation.

Ground Handling

2.8.7 The Authority has also noted FIA's comments regarding the comment made by AIASL during the meeting of stakeholders related to Ground Handling service providers and GIAL's response to the same. The Authority also notes IATA's and AIASL's comments and GIAL's counter comments wherein GIAL has adequately addressed the concerns of these key stakeholders regarding competition of GHA operators at MIA, Mopa, Goa. The Authority also notes, as detailed in the minutes of meeting of stakeholders that GIAL submitted that AIASL had not participated in the bidding process to select the service provider for the airport.

While the Authority notes that the current policies permit a single Ground Handling service provider, AERA encourages engagement of more than one Ground handling agency at the airport for early adoption of a competitive environment and reducing monopoly situations.

Economic and Viable operations of Airport

2.8.8 The Authority noted ASSOCHAM's comment on the need to ensure operational viability of the airport. The Authority notes that it is the business decision of the Airport Operator for investing in the Airport infrastructure after taking note of the terms and conditions as decided in the Concession Agreement and infuses equity into the Airport.

AERA, as a regulator, is expected to balance the interest of all the stakeholders while determining the tariff for the Airport operator and the economic and viable operations of the Airport considering any other factors relevant for the determination of the Tariff as detailed in Section 13 (I) (a) (vii) of the AERA act. In this background, the Authority, while determining the tariff of the Airport operator has considered all the factors as necessary for smooth airport operations, while finalising its decisions on the tariff for the First Control Period.

2.9 Construct of the Tariff Order

2.9.1 This Tariff Order has been developed/ constructed in the following sequence of Chapters:

i. A brief on Manohar International Airport (MIA), Mopa, Goa is provided in Chapter 1. Chapter 2 (this chapter) explains the context for the current tariff determination exercise and the submission made by GIAL along with the framework used for tariff determination as per the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011. Thereafter, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

ii. Chapter 3 presents the submission of GIAL, Mopa, Goa regarding ARR for the period from 7th December 2022 to 31st March 2023, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, Authority's analysis and its final decision relating to the ARR for the period from COD to 31st March 2023.

iii. Chapter 4 presents the submissions of GIAL, Mopa, Goa and the Authority's examination of GIAL's submissions along with its proposal regarding Traffic Projections for the First Control Period as set out in Consultation Paper No. 11/2023-24 dated 31st August 2023. Thereafter, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, Authority's analysis and final decisions are set out.

iv. Chapter 5 presents the submissions of GIAL, Mopa, Goa and the Authority's examination of GIAL's submissions along with its proposal regarding Aeronautical capital expenditure, useful life of assets and RAB for the First Control Period as set out in Consultation Paper No. 11/2023-24 dated 31st August 2023. Thereafter, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

v. Chapter 6-7 presents the submissions of GIAL, Mopa, Goa and the Authority's examination of GIAL's submissions along with its proposal regarding Fair Rate of Return and Inflation for the First Control Period as set out in Consultation Paper No. 11/2023-24 dated 31st August 2023. Thereafter, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

vi. Chapter 8 presents the submissions of GIAL, Mopa, Goa and the Authority's examination of GIAL's submissions along with its proposal regarding Operating & Maintenance Expenses for the First Control Period as set out in Consultation Paper No. 11/2023-24 dated 31st August 2023. Thereafter, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

vii. Chapter 9 presents the submissions of GIAL, Mopa, Goa and the Authority's examination of GIAL's submissions along with its proposal regarding Non-Aeronautical Revenue for the First Control Period as set out in Consultation Paper No. 11/2023-24 dated 31st August 2023. Thereafter, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

viii. Chapter 10-11 presents the submissions of GIAL, Mopa, Goa and the Authority's examination of GIAL's submissions along with its proposal regarding Taxation and Quality of Service for the First Control Period as set out in Consultation Paper No. 11/2023-24 dated 31st August 2023. Thereafter, comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

ix. Chapter 12 presents the Aggregate Revenue Requirement as determined by the Authority based on the various proposals of the Authority and adjustments considered by the Authority for the First Control Period at the Consultation Stage. Thereafter, the Authority's analysis and final decisions are set out.

x. Chapter 13 presents the comments of GIAL and other stakeholders, response of GIAL to other stakeholders' comments, the Authority's analysis and the Aeronautical Revenue decided by the Authority for Manohar International Airport, Mopa, Goa for the First Control Period.

xi. Chapter 14 summarizes the Authority's decisions on all the matters relating to the tariff computations and Chapter 15 is the Final Tariff Order issued by the Authority for the First Control Period.

xii. Chapter 16 contains Annexures.

- Annexure 1 – Tariff Rate Card pertaining to Manohar International Airport, Mopa Goa for the First Control Period as approved by the Authority, effective from 1st January 2024 to 31st March 2028.

xiii. Chapter 17 contains Appendices.

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- Appendix I – Independent Study on Capital Expenditure for Development of Greenfield Airport Facilities at MIA, Mopa, Goa

2.10 Independent Study Commissioned by the Authority as part of Tariff Determination of MIA, Mopa, Goa

2.10.1 The Authority commissioned an independent study, for detailed analysis of Capital Expenditure incurred by GIAL at Manohar International Airport, Mopa, Goa. The Study has carried out a detailed analysis of the Capital Expenditure incurred by GIAL, Mopa, Goa and provided details of expenditure that can be considered allowable for the purpose of inclusion in RAB for Tariff Determination.

2.10.2 The recommendations of the independent study conducted by M/s KITCO have been used in this Tariff Order. The details of the Study is discussed in Chapter 5 of this Tariff Order and the study is attached as Appendix I of this Tariff Order.

2.11 Authority's decisions regarding Control Period

Based on the material before it and its examination, the Authority decides the following with regard to Control Period for Manohar International Airport, Mopa, Goa:

2.11.1 To consider First Control Period as effective from FY 2023-24 to FY 2027-28 in respect of Manohar International Airport, Mopa, Goa.

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3 DETERMINATION OF TARIFF FOR THE PERIOD FROM COD TO 31ST MARCH 2023.

3.1 GIAL's submissions regarding Tariff for the period from 7th December 2022 to 31st March 2023

3.1.1 GIAL, Mopa, Goa had, together with the projections for the First Control period, submitted the details for the period from 7th December 2022 till 31st March 2023. Details for various building blocks submitted by GIAL, Mopa, Goa for the period from 7th December 2022 to 31st March 2023, as part of its Tariff calculations, are as detailed below:

Table 9: Details of building blocks of ARR for the period from 7th December 2022 to 31st March 2023 submitted by GIAL, Mopa, Goa

(Rs. in crores)

Particulars	Reference	Amount
Average RAB	A	3,483.72
Fair Rate of Return	B	15.89%
Return on RAB	C=A*B*115/365	175.34
Aeronautical Operating Expenditure	D	93.74
Aeronautical Depreciation	E	49.25
Taxation	F	0.00
Aggregate Revenue Requirement	G=C+D+E+F	318.34
Non-Aeronautical Revenue	H	5.39
Less: 30% of Non-Aeronautical Revenue	I=H*30%	1.62
Net Aggregate Revenue Requirement	**J=G-I**	**316.72**
Discount factor	**K**	1.05
PV of ARR	**L=J*K**	331.87
Aeronautical Revenue		
Landing, Parking	M	4.02
UDF	N	15.44
Others	O	0.32
Total of Aeronautical Revenue	**P=M+N+O**	**19.78**
PV of Aeronautical Revenue	**Q=P*K**	**20.73**
Shortfall	**R=L-Q**	**311.14**

3.1.2 GIAL, Mopa, Goa has considered the ARR for the period from 7th December 2022 to 31st March 2023 along with the estimation of ARR for the First Control Period in its MYTP submission.

3.2 Authority's examination regarding Tariff for the period from COD to 31st March 2023

3.2.1 The Authority had, in the ensuing Chapters, detailed its principles and analysis with respect to different building blocks. The same principles, to the extent applicable, were used for computing the ARR and shortfall for the period from COD to 31st March 2023 also.

3.2.2 The Authority had sought financial statements for the year ended 31st March 2023. Audited Financial Statements were provided by GIAL, Mopa, Goa. The Authority considered the same as the basis for the computation for the period from COD to 31st March 2023.

Traffic considered at Consultation Stage

3.2.3 The Authority had considered the actual traffic for MIA, Mopa, Goa available from the AAI website for the period from COD to 31st March 2023 which is as presented below:

Table 10: Traffic for Period from COD to 31st March 2023

Domestic Passenger Traffic				
Particulars (in Nos)	**Jan-23**	**Feb-23**	**Mar-23**	**Total**
Manohar International Airport, Mopa, Goa	154,422	229,431	280,307	664,160
Domestic ATM				
Particulars (in Nos)	**Jan-23**	**Feb-23**	**Mar-23**	**Total**
Manohar International Airport, Mopa, Goa	1,108	1,646	2,087	4,841

Stakeholder's comments regarding Traffic for the period from COD to 31st March 2023

3.2.4 No comments have been received from stakeholders regarding Traffic for the period from COD to 31st March 2023.

Authority's Analysis regarding Traffic for the period from COD to 31st March 2023

3.2.5 The Authority notes that there are no stakeholder's comments regarding Traffic for the period from COD to 31st March 2023. Hence, the Authority decides to consider the Traffic as per Table 10.

Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) considered at Consultation Stage

3.2.6 The Authority had commissioned an Independent Study for evaluation of Capital Expenditure. Details of the study and its findings are elaborated in para 5.3.4. Based on the details of cost evaluation as detailed in para 5.3.4 and the adjustments proposed to be made by the Authority, the Authority had tabulated the amount proposed to be added to Regulatory Asset Base for the Period from COD to 31st March 2023 and First Control Period in Table 77.

3.2.7 The Authority noted from MYTP submission that Phase-I capital expenditure proposed by GIAL, Mopa, Goa was considered to be fully capitalized in FY 2022-23. The Authority, while examining the Audited Financial Statements submitted by GIAL, Mopa, Goa for March 2023 and certificate from statutory auditors, noted that the amount capitalized in FY 2022-23 for Phase-I was Rs. 2,742.20 crores as against Rs. 3,375.29 crores (proposed by GIAL, Mopa, Goa for Phase-I excluding FA and including IDC) which was 81.24% of the total Phase-I cost being capitalized in the books.

3.2.8 Based on the above, the Authority proposed to consider the ratio of actual to total capital expenditure of GIAL, Mopa, Goa as base for capitalizing the cost proposed by the Authority for Phase-I in FY 2022-23 and the remaining cost of Phase-I was proposed to be capitalized in the FY 2023-24. Accordingly, 81.24% of the total Capital Expenditure (Table 73) for Phase-I was capitalized in FY 2022-23 as shown in the table below:

Table 11: Computation of Addition to RAB for the period from COD to 31st March 2023 proposed by the Authority at the Consultation Stage

(Rs. in crores)

Particulars	Reference	Amount
Total addition for Phase-I as per the Authority (Table 73)	A	**3,225.79**
Total addition for Phase-I as per GIAL, Mopa, Goa (Table 41)	B	3,603.29
Add: Interest during construction (IDC)	C	220.00
Less: Financing Allowance (FA) (As per Table 61)	D	448.00
Total Capitalization to be in financial statement	E = B+C-D	3,375.29
Addition to Gross Block as per Financial Statement for FY 2022-23	F	2,742.20
% of Capitalization done	G = F/E	81.24%
Proportionate addition to RAB for FY 2022-23 by the Authority	**H = A * G**	**2,620.74**

3.2.9 The Authority noted that GIAL, Mopa, Goa had undertaken development activities on the land provided by the GoG on lease for the construction of Manohar International Airport, Mopa, Goa. These activities had been done across the area of land, to prepare the same for further construction activities.

The Authority noted the details mentioned in Authority's Order 35/2017-18 dated 12th January 2018 for determination of useful life of Airport assets as presented below:

"Land development activities in relation to Airports comprise of preparing and leveling the land to be fit for further development activities relating to Airside works, Buildings, Roads etc. Land development activities carried out before further construction works are done, are permanent in nature and do not need to be altered / changed in any time in future and do not have a determinate useful life. Where Land is owned by the company, these are generally to be treated as part of the Land value and is not to be depreciated. In cases where the development activities are carried out on land which is leased to the Airport Operator, the development charges are generally to be charged off over the period of the lease rentals.

Land Development related costs should be identified and accounted as a separate line item under a sub-head of "Land Development" cost. If the land is leased to the Airport Operator, Land development cost shall be depreciated over the balance period of lease term."

As per Annexure – I of Order 35/2017-18 dated 12th January 2018, Land Development Cost incurred on Leased land is to be amortized over the lease period. The Authority noted that this practice had also been followed in the Authority's Order No. 11/2021-22 dated 28th August 2021 on determination of Aeronautical tariff for third control period for BIAL.

3.2.10 Accordingly, the cost of Rs.792.73 crores incurred on Land Development (including loading of FA and other indirect costs) was proposed to be considered as a separate line item which will be depreciated over the balance lease period of 36.5 years. The balance lease period had been computed as given below:

Table 12: Useful Life to be considered for Land Development

Particulars	Reference	Date/Year
Appointed date as per the Concession Agreement (para 1.2.2)	A	4-Sep-17
Completion of 40 years lease period (para 1.2.2)	B	3-Sep-57
Extended completion of Concession period i.e., 40 years	C	30th May 2059*
Date of capitalization (para 3.2.28)	D	7-Dec-22

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Particulars	Reference	Date/Year
Lease period for Depreciation (In years) (Useful life)	E= (C - D+1)/365	36.50
Depreciation rate		2.74%

**Upon seeking clarification on the extended timeline, GIAL, Mopa, Goa submitted that Government of Goa (GoG) decided to extend the Concession Period for the Manohar International Airport, Mopa, Goa. This extension was granted due to the delays in construction and development activities caused by the adverse impact of the Covid-19 pandemic. The original Concession Period, which was supposed to end on 3rd September 2057, has now been extended, and the airport's operations under the concession will continue until 30th May 2059.*

3.2.11 Based on the above, the category wise capital additions proposed to be considered for FY 2022-23 was as presented below:

Table 13: Asset Category wise additions for the period from COD to 31st March 2023 proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Amount
Building	760.63
Roads	172.84
Runway	505.19
Plant & Machinery	300.49
Apron	78.79
Furniture & Fixtures other than trolley	10.07
Land Development (Refer para 3.2.9 for explanation on Land Development)	792.73
Total	**2,620.74**

3.2.12 The Authority proposed to use the allocation ratio for assets as detailed in para 5.4.6 and 5.4.8 for the additions to RAB. Accordingly, the total Aeronautical addition to RAB for FY 2022-23 was computed to be Rs. 2,507.92 crores (Refer Table 77).

3.2.13 The Authority noted that GIAL, Mopa, Goa had submitted that the detailed Fixed Asset Register had not yet been prepared. The Authority noted that this could have an impact on the depreciation values, as also the Authority's proposal for considering Land Development cost as a separate line item. The Authority proposed to consider the depreciation as per the financial statement submitted by GIAL, Mopa, Goa, which will be reviewed at the time of determination of aeronautical tariff for the second control period.

3.2.14 Based on the above, the Regulatory Asset Base for FY 2022-23 was computed as follows:

Table 14: Regulatory Asset Base for the period from COD to 31st March 2023 computed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Reference	Amount
Opening RAB	A	-
Additions to RAB	B	2,507.92
Depreciation	C	31.49
Closing RAB	D = A+B-C	2,476.43
Average RAB	E = (A+D)/2	1,238.21

The Authority noted that the Regulatory Asset Base had been commissioned for a period of 115 days in FY 2022-23. Accordingly, the Authority proposed to provide a return for 115 days for FY 2022-23 on the closing RAB. 115 days were computed considering the effective date of completion certificate issued by the independent engineer as 07th December 2022.

Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the period from COD to 31st March 2023

GIAL's comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the period from COD to 31st March 2023:

3.2.15 GIAL's comments regarding Land Development Cost being considered as a separate item are as follows:

Ind AS 16 Property, Plant and Equipment notified by the Ministry of Corporate Affairs, Govt. Of India deals with measurement of cost of property, plant and equipment.

Relevant extract of Ind AS 16 is as follows:

Element of Cost of an asset:

Para 16 The cost of an item of property, plant and equipment comprises:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Para 17 Examples of directly attributable costs are:

a) costs of employee benefits (as defined in Ind AS 19, Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment;
b) costs of site preparation;
c) initial delivery and handling costs;
d) installation and assembly costs;
e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
f) Professional fees

Based on the above understanding, the cost of site preparation is the directly attributable cost for all immovable assets and these costs are directly allocated to these assets, since Property, Plant and Equipment recognizes only tangible assets.

Further, it is in line with the allocation of other soft costs i.e., employee benefits listed under (a); professional fee i.e., architecture, design, project engineering etc., which are allocated to these immovable assets. Accordingly, GGIAL has considered the stand of allocating the site preparation costs i.e., earth works to immovable properties developed at the site i.e., Runway, Taxiway, Apron, Terminal Building etc.

Further, this is again reiterated in the Educational/Technical material provided by ICAI in its note on allocation of these assets. Below is the extract of the same.

In accordance with the above paragraphs, the initial carrying value of the factory is computed below:

Particulars	*Amount (Rs. In thousands)*	*Amount capitalized (Rs. In thousands)*	*Remarks*
Cost of dismantling existing structures on the site (demolition costs)	*500*	*500*	*Site preparation costs which are directly attributable to the building (cost of getting the asset ready for use in the manner intended by the management)*
Material consumed to construct the factory	*6000*	*6000*	*Directly attributable cost*
Employment costs	*1800*	*1600*	*Employment costs for the period of 8 months are directly attributable. Therefore, the costs to be capitalized is Rs. 1600 (i.e., 8/9 x 1800)*
Other costs directly related to the	*1200*	*1000*	*Directly attributable cost excluding*

As showcased above, the cost of dismantling existing structures on the site is directly attributable to the building. GGIAL in its fixed asset register has also considered the land development cost as costs directly attributable to various assets and allocated accordingly. Hence, we request the Authority to treat the "Land Development" as directly attributable to various heads of capital cost instead of a separate line item as proposed by the Authority.

Other Stakeholder's comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the period from COD to 31st March 2023:

3.2.16 The Authority noted that there are no comments from stakeholders regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the period from COD to 31st March 2023.

Authority's analysis regarding Capital expenditure (CAPEX), Depreciation and RAB for the period from COD to 31st March 2023

3.2.17 The Authority has noted GIAL's comment on allocation of land development costs attributable to the respective immovable assets. ICAI's guidance as provided in Ind AS 16 on Property, Plant, and Equipment, outlines the elements of cost for an asset, highlighting the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner are considered part of the cost of the asset.

The Authority's Order No. 35/2017-18 dated 12th January 2018 with respect to Determination of Useful Life of Airport assets, establishes a specific treatment for Land Development Costs incurred on leased land. This treatment involves amortizing these costs over the lease period (refer Annexure – I of Order No. 35/ 2017-18 dated 12th January 2018). This approach is based on the recognition that such Land Development activities carried out are permanent and do not need any alteration in the future.

It is important to note that AERA's Order provides a specific framework for the treatment of Land Development Costs on leased land. While ICAI's guidance emphasizes the general principles for accounting for costs directly attributable to bringing an asset into its intended operational condition as being a capital expenditure, it is essential to consider that AERA's approach is well established to address the unique considerations of leased land in airport development projects. AERA's guidelines provide a standardized approach to ensure consistent evaluation of such projects.

Thus, the Authority decides to continue with the framework for considering Land Development Costs in the context of leased land in airport development projects as provided by AERA Order No. 35/2017-18 dated 12th January 2018.

The Authority also notes that in both the scenarios (whether considered as a separate line item or added to respective assets), the land development cost is fully compensated to the Airport Operator together with carrying cost. Hence, the Authority decides to consider treatment of Land Development Cost as proposed at the Consultation Stage.

3.2.18 The Authority has noted the comments submitted by GIAL with respect to computation of Financing allowance. The Authority has decided to update the computation of Financing allowance as detailed in para 5.9.9 based on which the Capital Expenditure for FY 2022-23 has been decided to be considered as Rs. 2,513.20 crores.

Table 15: Regulatory Asset Base for the period from COD to 31st March 2023 decided by the Authority

(Rs. in crores)

Particulars	Amount
Opening RAB (A)	-
Additions to RAB (B) (Refer Table 89)	2,513.20
Depreciation (C)	31.56
Closing RAB (D = A+B-C)	**2,481.64**
Average RAB (E=(A+D)/2)	**1,240.82**

Note: The increase in financing allowance (as detailed in para 5.9.9), has resulted in an increase Rs.5.28 crores in Additions to the RAB in FY 2022-23 totaling to Rs. 2,513.20 crores (refer Para 3.2.18). Furthermore, the impact of the same has led to an increase in the depreciation by Rs. 0.07 crores.

Fair Rate of Return (FRoR) considered at Consultation Stage

3.2.19 The Authority had detailed its analysis for estimation of Fair Rate of Return in Chapter 6. The Authority proposed to consider the same Fair Rate of return calculated and considered for the First Control Period (refer Table 94) i.e., 12.21% for the period from COD to 31st March 2023 also.

Stakeholder's comments regarding Fair Rate of Return for the period from COD to 31st March 2023

3.2.20 No comments have been received from stakeholders regarding Fair Rate of Return for the period from COD to 31st March 2023.

Authority's Analysis regarding Fair Rate of Return for the period from COD to 31st March 2023

3.2.21 The Authority notes that there are no stakeholder's comments regarding Fair Rate of Return for the period from COD to 31st March 2023. Hence, the Authority decides to consider the Fair Rate of Return of 12.21% as per para 3.2.19.

Operating & Maintenance Expenses for the period from COD to 31st March 2023 considered at Consultation Stage

3.2.22 The Authority noted from the financial statement of March 2023 that GIAL, Mopa, Goa had incurred a total Expenditure of Rs. 55.79 crores for the period from 5th January 2023 to 31st March 2023 as against the estimated expenditure of Rs. 93.74 crores submitted by GIAL, Mopa, Goa in MYTP.

3.2.23 Further, the Authority noted that GIAL, Mopa, Goa has prepared Financial Statements following Indian Accounting Standards (IND AS) on 31st March 2023. Accordingly, certain notional entries had been passed relating to Finance cost, Security deposit etc. to ensure IND AS compliance on security deposit and lease. The Authority proposed to exclude such notional IND AS adjustments from Operating expenditure for the purpose of tariff determination.

3.2.24 The Authority had explained its analysis on allocation ratios for Aeronautical expenses in para 8.2.1 (I). The Authority proposed to use the same and accordingly consider Rs. 55.43 crores as Aeronautical expenses for the period from COD to 31st March 2023 as presented below:

Table 16: Operating & Maintenance Expenses for the period from COD to 31st March 2023 proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Reference	Amount
Operating & Maintenance Expenses as per Financial Statement	A	55.79
IND AS adjustment (Lease rentals on equipment was capitalized as Asset under IND AS, this has been treated as Operating expenditure)	B	2.99
Amount proposed to be considered by the Authority	**C = A+B**	**58.78**
Impact of Allocation Ratio	**D**	**3.35**
Aeronautical Operating & Maintenance Expenses	**E = C-D**	**55.43**

Stakeholders' comments regarding Operating & Maintenance Expenses for the period from COD till 31st March 2023

GIAL's comments regarding Operating & Maintenance Expenses for the period from COD till 31st March 2023

3.2.25 GIAL's comments regarding Commercial Operations Date are as follows:

Provisions of Concession Agreement: As per the Clause 15.1.1 of the GGIAL Concession Agreement (the "CA"), the Airport shall be deemed as completed when the Completion Certificate or the Provisional Certificate, as the case may be, is issued under the provisions of Article 14, and accordingly the Commercial Operation Date (COD) of the Airport shall be the date on which such Completion Certificate or the Provisional Certificate is issued and the Concessionaire shall have obtained the Applicable Permits, including the license from DGCA to operate the Airport (the "COD"). The Airport shall enter into commercial service on COD whereupon the Concessionaire shall be entitled to demand and collect Fee in accordance with the provisions of Article 31.

Compliance to the above conditions:

1) *Office of the Director General of Civil Aviation (DGCA), Govt of India vide its letter dated 26th October 2022 issued the Aerodrome License- Public use.*
2) *Independent Engineer M/s. Engineers India Limited issued provisional certificate dated 7th December 2022.*
3) *Company communicated the COD as 7th December 2022 to GoG vide its letter dated 13th Dec'22*
4) *Independent Engineer - M/s. Engineers India Limited issued provisional certificate dated 24th May 23, specifying that "all works forming part of Airport have been completed, and the Airport is ready for entry into commercial operation on 7th December 2022."*

Further it is evident from the Prime Minister movement flight and positioning flights which also travelled at Mopa for Airport Inauguration on 11th December 2022 successfully. This would not have been possible if all the facilities were not maintained as per the licensing conditions. Hence the Airport effectively *became operational for these movements from 7th December 2022. Considering the above, the GMR Goa International Airport, Mopa declared COD as on 7th December 2022.*

Thus, the Airport was commissioned on 7th December 2022, though it commenced 1st flight on 5th January 2023. However, the Authority has not considered expenses incurred from the COD i.e., 7th December 2022 to 5th January 2023 either as operational expenses or as capital expenditure.

While allowing operational expenses, the Authority considered COD as 5th January 2023 and allowed operational expenses accordingly from 5th January 2023. In this regard we would like to highlight that this approach of not allowing expenses incurred from 7th December 2022 to 5th January 2023 either as operational expenses or as capital expenditure is not in line with expected principal of regulatory which ensures complete recovery of expenses incurred by Airport Operator. This approach of AERA will result in a reduction in UDF by undermining actual expenses and consequently not allowing the Airport Operator to recover the costs actually incurred. Hence, it is requested to consider the operational expenses including lease rentals w.e.f. COD i.e., 7th December 2022.

3.2.26 GIAL's comments regarding Lease expenses are as follows:

The Authority has not deliberated upon the lease rental expenses incurred during the Pre-Control period in relation to equipment leased by the Airport Operator. The lease rentals pertain to leased equipment worth Rs.80 crores. The lease rental expenses for the year FY 2024 comes to Rs 14.76 crores. While the Authority had considered the lease expenses in the projections for the period FY 2024 onwards, the same had not been considered for the period starting from COD to 31st March 2023. The corresponding amount booked under actuals of FY 2022-23 as financial statements includes the above-mentioned lease rental expense apart from lease accounting of solar asset and the break-up is as follows:

1) *Interest Component in Note no. 23 (Ind AS financials) of amount Rs. 2.89 crores.*
2) *Amortization of right of use assets of in Note no. 24 of amount Rs. 3.29 crores.*

It seems that the lease expenses, as mentioned above, have been missed by the Authority. We request the Authority to consider the expenses as mentioned above in the final determination.

Other Stakeholder's comments regarding Operating & Maintenance Expenses for the period from COD to 31st March 2023

3.2.27 The Authority noted that there are no comments from stakeholders regarding Operating & Maintenance expenses for the period from COD to 31st March 2023.

Authority's analysis on Stakeholders' comments regarding Operating & Maintenance Expenses for the period from COD to 31st March 2023

Commercial Operations Date

3.2.28 The Authority has noted GIAL's comments on date of COD and has examined the details provided and the chronological events (Refer para 1.3.5) leading up to the inaugural flight on 5th January 2023. The Authority notes that pursuant to the terms of the Concession Agreement, the Independent Engineer has issued Provisional Completion certificate dated 7th December 2022 based on which the COD was declared as 7th December 2022 by GIAL. The Authority also notes that subsequent to this date, certain flight operations (Positioning flight, Prime Minister's flight) have also taken place at the Airport.

In consideration of the above, the Authority decides to consider COD as 7th December 2022 and consider the operational expenses incurred from 7th December 2022 in the determination of tariff from COD till 31st March 2023.

Lease Expenses

3.2.29 The Authority has reviewed the comment provided by GIAL regarding the inclusion of lease rental expenses for the period from the Commercial Operation Date (COD) to the 31st of March 2023. The Authority notes that the financial statement summary prepared in accordance with the Indian Generally Accepted Accounting Principles (IGAAP) has categorized the lease rental as an operating lease and the same has already been considered by the Authority in its computations.

The same has been confirmed by GIAL also vide email dated 16th November 2023. In light of this, the Authority decides to consider the lease rental expenses as considered during Consultation Stage.

3.2.30 Based on the Authority's analysis of GIAL's comments, following Operating & Maintenance expenses is decided by the Authority for the period from COD to 31st March 2023:

Table 17: Operating & Maintenance Expenses decided for FY 2022-23 by the Authority

(Rs. in crores)

Particulars	Reference	Amount
Operating & Maintenance Expenses as per Financial Statement	A	65.47
IND AS adjustment (Lease rentals on equipment was capitalized as Asset under IND AS, this has been treated as Operating expenditure)	B	3.01
Amount decided to be considered by the Authority	**C = A+B**	**68.48**
Impact of Allocation Ratio	**D**	**3.99**
Aeronautical Operating & Maintenance Expenses	**E = C-D**	**64.49**

Note: Due to change in consideration of COD (i.e., from 5th January 2023 to 7th December 2022) the Aeronautical O&M for FY 22-23 has increased by Rs. 9.06 crores from Consultation Stage to Tariff Order stage

Non-Aeronautical Revenue for the period from COD to 31st March 2023 considered at Consultation Stage

3.2.31 The Authority noted that GIAL, Mopa, Goa had earned Rs. 4.38 crores as Non-Aeronautical Revenue as per the break-up of Actual Revenues provided by GIAL, Mopa, Goa.

3.2.32 The Authority noted in para 3.2.23 that GIAL, Mopa, Goa had prepared IND AS Financial Statements as on 31st March 2023. Accordingly, certain notional entries had been passed relating to Fair valuation gain from security deposits etc. The Authority proposed to exclude such notional IND AS adjustments from Non-Aeronautical Revenues.

3.2.33 The Authority has detailed its proposal to consider the rental income earned from Aeronautical Service providers as Aeronautical, in para 9.2.23. Considering the same, the recomputed Non-Aeronautical Revenue for FY 2022-23 proposed to be considered by the Authority was as follows:

Table 18: Non-Aeronautical Revenue for the period from COD to 31st March 2023 proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Reference	Amount
Non-Aeronautical Revenue as per break-up provided by GIAL, Mopa, Goa	A	4.38
IND AS Adjustment (Notional Income on Fair value of Security Deposit as per IND AS)	B	0.86
Lease rentals from Airlines and Aeronautical concessionaires*	C	1.05
Non-Aeronautical Revenue proposed to be considered by the Authority	D = A+B-C	4.19

**Refer para 9.2.23 for explanation*

Stakeholder's comments regarding Non-Aeronautical Revenue for the period from COD to 31st March 2023

3.2.34 No comments have been received from stakeholders regarding Non-Aeronautical Revenue for the period from COD to 31st March 2023.

Authority's Analysis regarding Non-Aeronautical Revenue for the period from COD to 31st March 2023

3.2.35 After considering the change in the COD from 5th January 2023 to 7th December 2022, the following non-aeronautical revenue is decided by the Authority:

Table 19: Non-Aeronautical Revenue decided by the Authority for the period from COD to 31st March 2023

(Rs. in crores)

Particulars	Reference	Amount
Non-Aeronautical Revenue as per break-up provided by GIAL, Mopa, Goa	A	7.58
IND AS Adjustment (Notional Income on Fair value of Security Deposit as per IND AS)	B	(1.11)
Lease rentals from Airlines and Aeronautical concessionaires	C	1.05
Non-Aeronautical Revenue decided to be considered by the Authority	**D = A+B-C**	**5.43**

Note: Due to change in consideration of COD (i.e., from 5th January 2023 to 7th December 2022) the non-aeronautical revenue for FY 22-23 has increased by Rs. 1.24 crores from Consultation Stage to Tariff Order stage

Taxation considered at Consultation Stage

3.2.36 The Authority had noted that GIAL, Mopa, Goa had incurred losses in FY 2022-23 and hence no tax was due to be paid by it. The carry forward loss benefits available, which can be utilized to set off against future profit, was considered appropriately in the tariff determination for the First Control Period.

3.2.37 The Authority had asked GIAL, Mopa, Goa to provide details of Income tax loss carry forward available as of 1st April 2022. GIAL, Mopa, Goa had submitted that the tax loss carried forward and available as of 1st April 2022 is Rs. 2.80 crores as per the Income Tax Returns.

3.2.38 Based on the workings below, there was no Aeronautical Taxation computed for FY 2022-23. Accordingly, the Authority did not propose to consider any Taxation in the estimation of ARR.

Table 20: Aeronautical taxes for the period from COD to 31st March 2023 proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Reference	Amount
Aero Revenue (Table 23)	A	20.74
Aero O&M (Table 16)	B	55.43
Depreciation as per Income Tax *	C	132.34
Interest cost estimate**	D	45.85
Aero PBT	E = A – (B+C+D)	**(212.88)**
B/f loss of previous years (para 3.2.37)	F	(2.80)
Losses Added/Utilized	G=E	(212.88)
C/f losses	H=F+G	**(215.68)**
Tax rate	I	25.17%
Income Tax	J	-

**Computed using Written Down Value (WDV) method considering useful lives as per IT Act*

***Interest Cost is based on the actuals from the audited financial statement proportionate to Gross Block Ratio for Aeronautical assets*

Stakeholder's comments regarding Taxation for the period from COD to 31st March 2023

3.2.39 No comments have been received from stakeholders regarding Taxation for the period from COD to 31st March 2023.

Authority's Analysis regarding Taxation for the period from COD to 31st March 2023

3.2.40 Based on the changes to the building blocks as decided above, the Aeronautical taxes decided to be considered by the Authority is as detailed below:

Table 21: Aeronautical taxes for the period from COD to 31st March 2023 decided by the Authority

(Rs. in crores)

Particulars	Reference	Amount
Aero Revenue (Table 23)	A	20.74
Aero O&M (Table 17)	B	64.49
Depreciation as per Income Tax *	C	132.61
Interest cost estimate**	D	45.85
Aero PBT	E = A – (B+C+D)	**(222.21)**
B/f loss of previous years (para 3.2.37)	F	(2.80)
Losses Added/Utilized	G=E	(222.21)
C/f losses	H=F+G	**(225.01)**
Tax rate	I	25.17%
Income Tax	J	-

Aeronautical Revenues considered at Consultation Stage

3.2.41 The Authority noted from the break-up of Revenues provided by GIAL, Mopa, Goa that it had earned the following Aeronautical Revenue from COD till 31st March 2023.

Table 22: Aeronautical Revenue for the period from 7th December 2022 to 31st March 2023 proposed by GIAL, Mopa, Goa

(Rs. in crores)

Particulars	Reference	Amount
Landing and parking charges	A	3.33
User Development Fee (UDF)	B	15.07
Fuel farm	C	1.39
Ground handling	D	1.37
Cargo	E	0.29
Total Aeronautical Revenue	**F= A+B+C+D+E**	**21.44**

3.2.42 The Authority noted in para 3.2.23 that GIAL, Mopa, Goa had prepared IND AS Financial Statements as on 31st March 2023. Accordingly, certain notional entries had been passed relating to Fair valuation gain from security deposits etc. The Authority proposed to exclude such notional IND AS adjustments from Aeronautical Revenues.

3.2.43 The Authority further proposed to consider lease rentals from Airlines and Aeronautical concessionaires as Aeronautical (refer Table 18). Considering the same, the Aeronautical Revenue proposed to be considered by the Authority was as given below:

Table 23: Aeronautical Revenue for the period from COD to 31st March 2023 proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Reference	Amount
Aeronautical Revenue as per GIAL, Mopa, Goa (Table 22)	A	21.44
IND AS Adjustment (Notional Income on Fair value of Security Deposit as per IND AS)	B	1.75
Lease rentals from Airlines and Aeronautical concessionaires	C	1.05
Aeronautical Revenue proposed to be considered by the Authority	D=A-B+C	**20.74**

Stakeholder's comments regarding Aeronautical Revenue for the period from COD to 31st March 2023

3.2.44 No comments have been received from stakeholders regarding Aeronautical Revenue for the period from COD to 31st March 2023.

Authority's Analysis regarding Aeronautical Revenue for the period from COD to 31st March 2023

3.2.45 The Authority decides to consider the Aeronautical Revenue for the period from COD to 31st March 2023 as per Table 23 as proposed at the Consultation Stage.

Aggregate Revenue Requirement considered at Consultation Stage

3.2.46 GIAL, Mopa, Goa had submitted a shortfall of Rs. 311.34 crores for the period from 7th December 2022 to 31st March 2023. The Authority had recomputed the Aggregate Revenue Requirement, based on the evaluation of the individual building blocks detailed above, as below, which the Authority proposed to consider in the determination of ARR for the First Control Period.

Table 24: ARR proposed for the period from COD to 31st March 2023 by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Ref	Amount
Closing RAB* (Table 14)	A	2,476.43
Fair Rate of Return (para 3.2.19)	B	12.21%
Return on RAB for 115 days	C=A*B*115/365	95.27
Aeronautical Operating Expenditure (Table 16)	D	55.43
Aeronautical Depreciation (Table 14)	E	31.49
Taxation	F	-
Aggregate Revenue Requirement	G=C+D+E+F	**182.19**
Non-Aeronautical Revenue (Table 18)	H	4.19
Less: 30% of Non-Aeronautical Revenue	I=H*30%	1.26
Net Aggregate Revenue Requirement	J=G-I	**180.93**
Less: Aeronautical Revenues (Table 23)	K	**20.74**
Shortfall	L=J-K	**160.19**
Discount factor (@ 12.21%)	M	1.12
PV of Under-recovery as on 31st March 2024	N=L*M	179.75

** Being initial commissioning of assets, to calculate the return on RAB (Regulatory Asset Base), the approach of using the closing RAB has been adopted instead of the average RAB. The assets were put to use on 7th December 2022 within the FY 2022-23. The return is adjusted for 115 days, corresponding to the period from the commissioning of the assets on 7th December 2022.*

Authority's Analysis regarding Aggregate Revenue Requirement for the period from COD to 31st March 2023

3.2.47 Based on the above factors, the Authority has re-computed the building blocks based on which the ARR decided to be considered by the Authority is as detailed below:

Table 25: ARR decided for the period from COD to 31st March 2023 by the Authority

(Rs. in crores)

Particulars	Ref	Amount
Closing RAB (Table 15)	A	2,481.64
Fair Rate of Return (para 3.2.21)	B	12.21%
Return on RAB for 115 days	C=A*B*115/365	95.47
Aeronautical Operating Expenditure (Table 17)	D	64.49
Aeronautical Depreciation (Table 15)	E	31.56
Taxation (Table 21)	F	-
Aggregate Revenue Requirement	G=C+D+E+F	**191.51**
Non-Aeronautical Revenue (Table 19)	H	5.43
Less: 30% of Non-Aeronautical Revenue	I=H*30%	1.63
Net Aggregate Revenue Requirement	J=G-I	**189.88**
Less: Aeronautical Revenues (Table 23)	K	**20.74**
Shortfall	L=J-K	**169.14**
Discount factor (@ 12.21%)	M	1.12
PV of Under-recovery as on 31st March 2024	N=L*M	**189.79**

3.2.48 The Authority, considering the stakeholders' comments including the comments of GIAL on merits, has re-computed the ARR for the period from COD till 31st March 2023 and the under-recovery has increased from Rs. 179.75 crores to Rs. 189.79 crores considering the following changes:

i. Change in consideration of the COD from 05th January 2023 to 07th December 2022, leading to the following adjustments to the building blocks:

   a. O&M expenses increased by Rs. 9.06 crores from Consultation Stage to Tariff Order Stage.
   b. Non-Aeronautical revenue increased by Rs. 1.24 crores from Consultation Stage to Tariff Order Stage.

ii. The change in Financing allowance detailed in in para 5.9.9 has led to an increase in the additions to Regulated Asset Base by Rs. 5.28 crores. Additionally, there is an increase in the Depreciation amounting to Rs. 0.07 crores.

3.3 Authority's decisions regarding Tariff for the period from COD to 31st March 2023

Based on the material before it and its examination, the Authority decides the following with regard to tariff for the period from COD to 31st March 2023 for Manohar International Airport, Mopa, Goa:

3.3.1 To consider Traffic as per Table 10.

3.3.2 To consider Capital Expenditure, Depreciation and RAB as per Table 15.

3.3.3 To consider FRoR as per para 3.2.21.

3.3.4 To consider Aeronautical O&M expenses as per Table 17.

3.3.5 To consider Non-aeronautical revenue as per Table 19.

3.3.6 To consider the Aeronautical tax as per Table 21.

3.3.7 To consider Aeronautical revenue as per Table 23.

3.3.8 To consider under recovery of Rs. 189.79 crores as per Table 25 and adjust the same in the ARR for the First Control Period.

3.3.9 To true up the additions to RAB and depreciation for the period based on the total completed cost for Phase-I and the Fixed Asset Register to be submitted by GIAL, Mopa, Goa in the next control period.

4 TRAFFIC FOR THE FIRST CONTROL PERIOD

4.1 GIAL's submissions regarding Traffic for the First Control Period

4.1.1 GIAL, Mopa, Goa had appointed M/s CRISIL, an independent agency to study the traffic at Manohar International Airport, Mopa, Goa. M/s CRISIL had undertaken market scan, historical trend analysis, assessment of ongoing COVID condition and economic scenario to forecast traffic for Manohar International Airport, Mopa, Goa for the First Control Period.

4.1.2 Basis of determination of traffic as per M/s CRISIL is as detailed below:

- M/s CRISIL has predicted the passenger traffic movement for domestic and international flights at Goa airport using an econometric model approach.
- For domestic passenger forecasting, the Consolidated Gross Domestic Product (GDP) variable was used, while the Blended GDP variable was used for international passenger forecasting.
- Regression analysis using the Ordinary Least Square method was conducted to arrive at the results, which showed that for every 1% increase in income level, the domestic and international air passenger traffic demand at the Goa airport will grow by 2% and 1.23% respectively. The data was corrected using a correction factor of 2.24% to reverse the impact of COVID-19 on air passenger movement.

4.1.3 Traffic forecast was revised by GIAL, Mopa, Goa in the MYTP submission made on 29th March 2023. Forecast of traffic along with the market share in the state of Goa for Manohar International Airport, Mopa, Goa submitted by GIAL, Mopa, Goa has been presented below:

Table 26: Traffic for the First Control Period submitted by GIAL, Mopa, Goa for Manohar International Airport, Mopa, Goa

Year	Passenger (In Mn)			ATM (in Nos)			Cargo (in MT)		
	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total
Traffic									
FY 24	6.09	0.79	6.88	40,620	4,798	45,418	5,397	5,814	11,211
FY 25	6.91	0.94	7.85	46,079	5,668	51,747	7,058	8,592	15,650
FY 26	8.62	0.98	9.60	57,499	5,951	63,450	7,806	9,384	17,190
FY 27	10.67	1.12	11.79	71,156	6,784	77,940	9,560	14,742	24,302
FY 28	12.11	1.21	13.32	80,719	7,327	88,046	10,474	15,116	25,590
Total (FY24 to FY28)	**44.40**	**5.04**	**49.44**	296,073	**30,528**	**326,601**	**40,295**	**53,648**	**93,943**
Growth (%)									
FY 25*	13.40%	18.99%	14.10%	13.44%	18.13%	13.94%	30.78%	47.78%	39.60%
FY 26	24.77%	4.26%	22.29%	24.78%	4.99%	22.62%	10.60%	9.22%	9.84%
FY 27	23.80%	14.29%	22.81%	23.75%	14.00%	22.84%	22.47%	57.10%	41.37%
FY 28	13.49%	8.04%	12.98%	13.44%	8.00%	12.97%	9.56%	2.54%	5.30%

**Growth rates are computed based on FY 2023-24*

Table 27: GIAL, Mopa, Goa's submission of market share estimate in the state of Goa for Manohar International Airport, Mopa, Goa

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
Domestic	50%	50%	55%	60%	60%
International	80%	90%	90%	95%	95%

4.2 Authority's examination regarding Traffic for the First Control Period at Consultation Stage

4.2.1 The Authority had taken note of the fact that the state of Goa has the privilege of having two airports, which are competing with each other to meet the increasing demand of tourism in the state. The traffic projection for Dabolim Goa had been decided by the Authority in clause 4.5.4 of Order No. 04/2022-23 for the Third Control Period, after taking into consideration the then impending airport's (Manohar International Airport, Mopa, Goa) expected traffic capacity and demand. The share of traffic as decided by the Authority in Dabolim Goa is as presented below:

Table 28: Share of Passenger Traffic at Dabolim Airport as decided by the Authority

Particulars (in Mn)	FY 24	FY 25	FY 26	Total
Passengers decided by the Authority for Dabolim Airport	8.02	9.36	10.80	28.18
% of Passengers for Dabolim Airport	61%	63%	64%	-
% Remaining passengers in Manohar International Airport, Mopa, Goa	39%	37%	36%	-

4.2.2 Based on M/s CRISIL's Traffic Forecast report issued in December 2021, the total passenger traffic in Goa was predicted to grow to 21 MPPA by FY 2027-28, which will be handled together by Dabolim Airport and Manohar International Airport, Mopa, Goa.

Passenger Traffic

4.2.3 The Authority noted that GIAL, Mopa, Goa had only considered billable domestic passengers, excluding 2% of domestic passenger traffic. The Authority noted that Government of India had allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. GIAL, Mopa, Goa cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across at all Major Airports. Therefore, there was no reason to consider the billable PAX separately, as the Authority follows a consistent approach across all Major Airports, that naturally accounts for such considerations while projecting aeronautical revenues. The Authority noted that if this had been considered differently in any of the recent tariff orders, the same will be changed at the time of true up.

4.2.4 The Authority had reviewed the estimated Compounded Annual Growth Rate (CAGR) of Dabolim Airport in Goa, for both domestic and international passenger traffic. The data indicated that for the past 4 years (FY 2015-16 to FY 2018-19), the domestic passenger traffic grew at a CAGR of 12.90%, while for the past 8 years (FY 2011-12 to FY 2018-19), it grew at a CAGR of 12.74%. Similarly, for international passenger traffic, the CAGR for the past 4 years was 4.89%, and for the past 8 years, it was 3.84%.

Table 29: 4-Year and 8-Year CAGR of Passenger Traffic at Dabolim Airport

Particulars (in %)	4 Year (FY16-FY19)	8 Year (FY12-FY19)
Goa Dabolim		
Domestic Pax	12.90%	12.74%
International Pax	4.89%	3.84%

4.2.5 In order to project the air traffic demand for Goa as a whole, the Authority analyzed various factors such as the new Manohar International Airport, Mopa, Goa and the impact of the COVID-19 pandemic. After considering these factors, the Authority concluded that using a single growth factor such as Compound Annual Growth Rate (CAGR) would not be appropriate to project the traffic for Goa as a whole.

4.2.6 The Authority reviewed the study conducted by M/s CRISIL for Manohar International Airport, Mopa, Goa traffic. The study employed an econometric model to estimate the demand for air traffic among passengers in the state of Goa. A new variable, named "consolidated GDP," had been developed for this purpose which is the sum of states' highest share of passengers at the Goa airport (Gujarat, Maharashtra, Delhi, Telangana, Karnataka, Andhra Pradesh, and Goa). The consolidated GDP was kept as the explanatory variable and the domestic passenger demand at the Goa airports as the dependent variable.

4.2.7 Based on this study, growth of the consolidated Gross Domestic Product (GDP) over the forecast period and the consolidated GDP elasticity of passenger demand was considered as the growth factor for projecting passenger traffic. The growth factor calculated by M/s CRISIL for domestic passenger traffic was 13.40% and for international passenger traffic was 5% from FY 2024-25 to FY 2025-26 and thereafter 8.00% for the further years of the Control Period as presented below:

Table 30: Air Passenger Traffic growth rates submitted by GIAL, Mopa, Goa

Particulars (in %)	FY24	FY25	FY26	FY27	FY28
Domestic	13.40%	13.40%	13.40%	13.40%	13.40%
International	5.00%	5.00%	5.00%	8.00%	8.00%

4.2.8 The Authority noted that this was an uncommon situation of 2 airports within the same vicinity which may attract passengers from nearby areas including adjacent states. The Authority proposed to use, for the current estimation, the growth of consolidated GDP and its elasticity with passenger demand as the growth factor, as calculated by M/s CRISIL as an indicator in its estimation of traffic for Manohar International Airport, Mopa, Goa.

4.2.9 The Authority compared the actual traffic achieved during the FY 2022-23 with that of the corresponding period in FY 2019-20 (Pre-COVID period) and noted that the actual domestic passenger and ATM traffic had already surpassed the pre-COVID levels of FY 2019-20. The details of the same are as follows:

Table 31: Actual Domestic Passenger and ATM traffic for FY 2019-20 (Pre-COVID period) and FY 2022-23 for Dabolim and Manohar International Airport, Mopa, Goa

Particulars (in Nos)	FY 20			FY 23		
	Dabolim	Manohar International Airport, Mopa, Goa	Total Domestic	Dabolim	Manohar International Airport, Mopa, Goa (5th Jan- 31st March 2023)	Total Domestic
Passenger	7,651,362	-	**7,651,362**	7,891,983	664,160	**8,556,143**
ATM	53,636	-	**53,636**	53,889	4,841	**58,730**

4.2.10 The government had clarified that the commissioning of the new greenfield International Airport at Mopa, in North Goa will not result in the shutdown of the existing airport at Dabolim in South Goa. Instead, both airports will co-exist and handle air traffic in the state.

4.2.11 As the restrictions of the COVID-19 pandemic are removed and tourism increases, it was expected that the air traffic demand in Goa will also increase.

4.2.12 The Authority, after observing the actual passenger traffic for FY 2022-23, noted that the traffic at Goa was increasing. The traffic forecasts provided by M/s CRISIL in their studies align with the views of the Authority. Therefore, the Authority proposed to consider the traffic for Goa as a whole, as suggested by M/s CRISIL study:

Table 32: Air Passenger traffic as proposed by the Authority for the state of Goa at Consultation Stage

Particulars (in Mn)	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Domestic	12.19	13.82	15.68	17.79	20.18	79.66
International	0.99	1.04	1.09	1.18	1.27	5.57
Total	**13.18**	**14.86**	**16.77**	**18.97**	**21.45**	**85.23**

4.2.13 Due to existing operational restrictions at Dabolim airport, such as no night parking availability and operational restrictions during the daytime, it was expected that domestic airlines will initially shift to Manohar International Airport, Mopa, Goa. The Authority noted that the % share of Manohar International Airport, Mopa, Goa projected by M/s CRISIL report appeared reasonable considering the actual domestic traffic from January 2023 (Commencement Operation Date) to May 2023 of Manohar International Airport, Mopa, Goa. It was observed that Manohar International Airport, Mopa, Goa had achieved approximately 35% of market share in domestic traffic for both passenger and ATM.

Table 33: Actual Traffic for Dabolim and Manohar International Airport, Mopa, Goa

Domestic Passenger Traffic							
Particulars (in Nos)	**Jan-23**	**Feb-23**	**Mar-23**	**Total**	**Apr-23**	**May-23**	**Total**
Dabolim Airport	782,573	673,740	691,960	2,148,273	641,551	585,182	1,226,733
Manohar International Airport, Mopa, Goa	154,422	229,431	280,307	664,160	332,695	335,265	667,960
Total	**936,995**	**903,171**	**972,267**	**2,812,433**	**974,246**	**920,447**	**1,894,693**
Market Share (PAX)							
Dabolim Airport	83.52%	74.60%	71.17%	76.38%	65.85%	63.58%	64.75%
Manohar International Airport, Mopa, Goa	16.48%	25.40%	28.83%	23.62%	34.15%	36.42%	35.25%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Domestic ATM							
Particulars (in Nos)	**Jan-23**	**Feb-23**	**Mar-23**	**Total**	**Apr-23**	**May-23**	**Total**
Dabolim Airport	5,095	4,259	4,530	13,884	4,204	3,716	7,920
Manohar International Airport, Mopa, Goa	1,108	1,646	2,087	4,841	2,298	2,200	4,498

Domestic Passenger Traffic							
Total	**6,203**	**5,905**	**6,617**	**18,725**	**6,502**	**5,916**	**12,418**
Market Share (ATM)							
Dabolim Airport	82.14%	72.13%	68.46%	74.15%	64.66%	62.81%	63.78%
Manohar International Airport, Mopa, Goa	17.86%	27.87%	31.54%	25.85%	35.34%	37.19%	36.22%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

4.2.14 According to the factors considered by the Independent Consultant appointed by the Authority for review of the Capital Expenditure, M/s KITCO, the latest statistics from the AAI indicated that the Manohar International Airport, Mopa, Goa had shown significant growth in domestic passenger traffic. In January 2023, Manohar International Airport, Mopa, Goa recorded 1.54 lakh passengers (compared to 7.83 lakh at Dabolim), which increased to 2.29 lakh in February 2023 (compared to 6.74 lakh at Dabolim), and further rose to 2.80 lakh in March 2023 (compared to 6.92 lakh at Dabolim). This indicated that with the presence of the new airport at Mopa, Goa had created additional demand and attracted new passengers, rather than relying solely on passengers shifting from Dabolim. Consequently, both airports operating simultaneously had resulted in increased domestic passenger numbers compared to the previous year. These trends suggested that the air passenger capacity of the state was on track to meet the forecasted figures submitted by M/s CRISIL.

4.2.15 Considering the views presented by M/s KITCO and based on its own analysis, the Authority proposed to adopt the market share for domestic traffic at Manohar International Airport, Mopa, Goa as estimated by M/s CRISIL report submitted by GIAL, Mopa, Goa. The shift in domestic passengers from Dabolim to Manohar International Airport, Mopa, Goa was expected to enhance the operational efficiency of both airports, enabling them to handle air traffic more effectively.

4.2.16 Most international passengers, except chartered flights, are expected to shift to the new Manohar International Airport, Mopa, Goa by FY 2025-26, as the majority of tourist destinations in Goa are located in the vicinity of the new airport in the Northern part of the state. Dabolim airport was expected to handle mainly domestic passengers and chartered flights in FY 2025-26.

4.2.17 Based on the above proposals, the % share of passenger traffic proposed to be considered for Manohar International Airport, Mopa, Goa was presented below:

Table 34: Percentage share of total Goa passenger traffic to be handled by Manohar International Airport, Mopa, Goa

Particulars (in %)	FY 24	FY 25	FY 26	FY 27	FY 28
Domestic					
Proposed by GIAL, Mopa, Goa	50%	50%	55%	60%	60%
Proposed by the Authority for Manohar International Airport, Mopa, Goa	50%	50%	55%	60%	60%
International					
Proposed by GIAL, Mopa, Goa	80%	90%	90%	95%	95%
Proposed by the Authority for Manohar International Airport, Mopa, Goa	80%	90%	90%	95%	95%

4.2.18 After analyzing the percentage share and growth rate, the Authority proposed to adopt the traffic projections put forth by GIAL, Mopa, Goa for Manohar International Airport, Mopa, Goa. The proposed traffic figures were as follows:

Table 35: Passenger traffic proposed by the Authority to be handled at Manohar International Airport, Mopa, Goa at Consultation Stage

Particulars (in Mn)	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Domestic	6.09	6.91	8.62	10.67	12.11	44.40
International	0.79	0.94	0.98	1.12	1.21	5.04
Total	**6.88**	**7.85**	**9.6**	**11.79**	**13.32**	**49.44**

4.2.19 In summary, the new Manohar International Airport, Mopa, Goa in Goa was expected to gradually attract a significant portion of passenger traffic, particularly international passengers, due to its location near popular tourist destinations. The existing Dabolim airport will continue to handle domestic passengers and chartered flights and both airports will co-exist and handle air traffic in the state.

ATM Traffic

4.2.20 According to estimates provided by GIAL, Mopa, Goa, the number of passengers per ATM (Air Traffic Movement) at Manohar International Airport, Mopa, Goa was expected to be 150 for the domestic segment and 165 for the international segment. This was because Manohar International Airport, Mopa, Goa was expected to mostly handle Code C Aircrafts for domestic flights, which are generally designed to handle up to 150 passengers. For international travel, a mix of Code C and Code E aircraft will be used, with an average capacity of 165 passengers.

4.2.21 The Authority estimated that Manohar International Airport, Mopa, Goa will experience growth and improvement over time, in contrast to other airports where passenger numbers tend to remain stagnant due to their operational maturity. As a new airport, it is expected that there will be an increase in the passenger load factor in the subsequent control periods.

4.2.22 As more airlines start operating at Manohar International Airport, Mopa, Goa, the demand for air travel is likely to increase, resulting in more passengers per ATM. Furthermore, improvements in airport infrastructure and services can help attract more passengers and airlines, further increasing the number of passengers per ATM.

4.2.23 In line with the proposal to consider the passenger traffic submitted by GIAL, Mopa, Goa, for Manohar International Airport, the Authority also proposed to consider the ATM traffic as suggested by GIAL, Mopa, Goa. It was anticipated that the number of passengers per ATM would increase gradually as the airport becomes more established and the demand for air travel continues to grow.

Table 36: ATM as proposed by the Authority for the First Control Period at Consultation Stage

Particulars (in Nos)	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Domestic	40,620	46,079	57,499	71,156	80,719	296,073
International	4,798	5,668	5,951	6,784	7,327	30,528
Total	**45,418**	**51,747**	**63,450**	**77,940**	**88,046**	**326,601**

Cargo Freight

4.2.24 The Authority noted that GIAL, Mopa, Goa, through a bidding process, had appointed GMR Airports Limited (GAL) to provide cargo handling services at the upcoming Manohar International Airport, Mopa, Goa. GIAL, Mopa, Goa had entered into a license agreement with its holding company GAL, on 16th November 2021, granting them the right to design, build, finance, operate, maintain, and transfer the cargo facilities for an initial period of 20 years through a tendering process. GIAL, Mopa, Goa had confirmed that the contract was awarded in accordance with the defined process mentioned in the Concession Agreement, and that the contract received approval from the GoG (Government of Goa) after undergoing a probity check, including an assessment of related party transactions.

4.2.25 Under the license agreement, the licensee (GAL) will pay a land license fee to GIAL, Mopa, Goa, which will increase on a yearly basis based on the notified Consumer Price Index (CPI). Additionally, the licensee will share 15.30% of its gross revenue with GIAL, Mopa, Goa during the license period.

4.2.26 Currently, the Dabolim airport in Goa does not have adequate cargo handling facilities, limiting the freight traffic to between 4,000 MT to 5,000 MT per annum. As the economy of Goa grows, the demand for cargo movement is increasing, which cannot be solely handled by the Dabolim airport.

4.2.27 M/s CRISIL study on freight traffic projections showed that the cargo movement demand in Goa was currently being spilled over to nearby major airports like Mumbai and Bangalore due to the lack of dedicated cargo handling infrastructure at the Dabolim airport. Almost 50,000 MT of international cargo comprising of pharmaceutical products spilled over to Mumbai Airport as well as other international airports. Similarly, almost 30,000 MT of domestic cargo was moved via road to other airports due to lack of infrastructure and space availability at the current airport in Goa.

4.2.28 With Cargo facilities built at Manohar International Airport, Mopa, Goa, the capacity restrictions present at Dabolim airport will no longer exist, and the dedicated cargo handling facility at Manohar International Airport, Mopa, Goa will act as a supporting infrastructure for the growth of cargo freight demand in the state of Goa.

4.2.29 Based on the above, the Authority proposed that the cargo projections as submitted by GIAL, Mopa, Goa can be considered for the current control period.

Table 37: Cargo traffic proposed by the Authority for the First Control Period at Consultation Stage

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Domestic	5,397	7,058	7,806	9,560	10,474	40,295
Market Share %	*50%*	*50%*	*60%*	*60%*	*70%*	-
International	5,814	8,592	9,384	14,742	15,116	53,648
Market Share %	*80%*	*80%*	*90%*	*90%*	*90%*	-
Total	**11,211**	**15,650**	**17,190**	**24,302**	**25,590**	**93,943**

4.2.30 Based on the overall above analysis, the traffic proposed by the Authority for Manohar International Airport, Mopa, Goa for the First control period was as follows:

Table 38: Traffic proposed by the Authority for the First Control Period at Consultation Stage

Domestic Passengers (in Mn)	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Domestic PAX submitted by GIAL, Mopa, Goa (Table 26)	6.09	6.91	8.62	10.67	12.11	44.40
Domestic PAX proposed by the Authority (A) (Table 35)	6.09	6.91	8.62	10.67	12.11	44.40
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	13.46%	24.75%	23.78%	13.50%	-
Authority's Proposal Y-o-Y % growth in traffic	-	13.46%	24.75%	23.78%	13.50%	-
Domestic exempted PAX %	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Average**
Submitted by GIAL, Mopa, Goa	2%	2%	2%	2%	2%	2%
As per the Authority (B)	-	-	-	-	-	-
Billable Domestic Passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Submitted by GIAL, Mopa, Goa	5.97	6.77	8.45	10.46	11.87	43.51
As per the Authority (C=A*(1-B))	6.09	6.91	8.62	10.67	12.11	44.40
International Passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
International PAX submitted by GIAL, Mopa, Goa (Table 26)	0.79	0.94	0.98	1.12	1.21	5.04
International PAX proposed by the Authority (D) (Table 35)	0.79	0.94	0.98	1.12	1.21	5.04
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	18.99%	4.26%	14.29%	8.04%	-
Authority's Proposal Y-o-Y % growth in traffic	-	18.99%	4.26%	14.29%	8.04%	-
Total passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Total PAX as per GIAL, Mopa, Goa's submission	6.88	7.85	9.60	11.79	13.32	49.44
Total PAX proposed by the Authority	6.88	7.85	9.60	11.79	13.32	49.44
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	14.10%	22.29%	22.81%	12.98%	-
Authority's Proposal Y-o-Y % growth in traffic	-	14.10%	22.29%	22.81%	12.98%	-
Total Billable Passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Submitted by GIAL, Mopa, Goa	6.76	7.71	9.43	11.58	13.08	48.55
As per the Authority (E=C+D)	6.88	7.85	9.60	11.79	13.32	49.44
Domestic ATM (in Nos)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Domestic ATM submitted by GIAL, Mopa, Goa (Table 26)	40,620	46,079	57,499	71,156	80,719	296,073
Domestic ATM proposed by the Authority (F) (Table 36)	40,620	46,079	57,499	71,156	80,719	296,073
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	13.44%	28.11%	33.62%	23.54%	-
Authority's Proposal Y-o-Y % growth in traffic	-	13.44%	28.11%	33.62%	23.54%	-
International ATM (in Nos)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**

Domestic Passengers (in Mn)	FY 24	FY 25	FY 26	FY 27	FY 28	Total
International ATM submitted by GIAL, Mopa, Goa (Table 26)	4,798	5,668	5,951	6,784	7,327	30,528
International ATM proposed by the Authority (G) (Table 36)	4,798	5,668	5,951	6,784	7,327	30,528
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	18.13%	4.99%	14.00%	8.00%	-
Authority's Proposal Y-o-Y % growth in traffic	-	18.13%	4.99%	14.00%	8.00%	-
Total ATM (in Nos)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Total ATM as per GIAL, Mopa, Goa's submission	45,418	51,747	63,450	77,940	88,046	326,601
Total ATM proposed by the Authority (H=G+F)	45,418	51,747	63,450	77,940	88,046	326,601
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	13.94%	22.62%	22.84%	12.97%	-
Authority's Proposal Y-o-Y % growth in traffic	-	13.94%	22.62%	22.84%	12.97%	-
Domestic Cargo (in MT)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Domestic Cargo submitted by GIAL, Mopa, Goa (Table 26)	5,397	7,058	7,806	9,560	10,474	40,295
Domestic Cargo proposed by the Authority (Table 37) (I)	5,397	7,058	7,806	9,560	10,474	40,295
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	30.78%	10.60%	22.47%	9.56%	-
Authority's Proposal Y-o-Y % growth in traffic	-	30.78%	10.60%	22.47%	9.56%	-
International Cargo (in MT)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
International Cargo submitted by GIAL, Mopa, Goa (Table 26)	5,814	8,592	9,384	14,742	15,116	53,648
International Cargo proposed by the Authority (Table 37) (J)	5,814	8,592	9,384	14,742	15,116	53,648
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	47.78%	9.22%	57.10%	2.54%	-
Authority's Proposal Y-o-Y % growth in traffic	-	47.78%	9.22%	57.10%	2.54%	-
Total Cargo (in MT)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Total Cargo submitted by GIAL, Mopa, Goa	11,211	15,650	17,190	24,302	25,590	93,943
Total Cargo proposed by the Authority (K=I+J)	11,211	15,650	17,190	24,302	25,590	93,943
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	39.60%	9.84%	41.37%	5.30%	-
Authority's Proposal Y-o-Y % growth in traffic	-	39.60%	9.84%	41.37%	5.30%	-

4.3 Stakeholders' comments regarding Traffic Forecasts for the First Control Period

GIAL's comments regarding Traffic for the First Control Period:

4.3.1 GIAL's comments regarding Traffic Assessment for FY 2023-24 are as follows:

Manohar International Airport Limited, Airport, Mopa, Goa (GGIAL) was commissioned on 7th December 2022 and the first domestic commercial flight was scheduled on 5th January 2023 and *subsequently International Operations commenced from 21st July 2023. GGIAL has handled 1.87 Mn passengers during H1 of FY 2024. Actual month on month traffic during FY 2024 are as per below table:*

Pax traffic (in Mn.)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep 23 (E*)	H1 FY 24
Domestic	0.33	0.34	0.31	0.27	0.29	0.32	1.86
International	-	-	-	0	0	0	0.01
Total	0.33	0.34	0.31	0.27	0.3	0.32	1.87

**Estimated*

The primary reason for lower traffic than projected by CRISIL during the period is on account of late commencement of International Operations, GoAir stopped the operations from 2nd May 2023, followed by reservations of seats for Haj Pilgrimage. The expected traffic during Oct 2023 will be 0.35 Mn.

GGIAL has received initial slots filing for Winter Schedule 2023 (WS 23) from both Domestic and International carriers which is as follows:

No.	Domestic Airline	Avg. No. of Departure / day	Avg. ATMs / day
1	IndiGo	24	48
2	Akasa Air	14	28
3	Spice jet	13	26
4	Vistara	7	14
5	Go First	7	14
6	Air India	4	8
7	AIX Connect	4	8
8	Star Air	3	6
	Sub-total Dom (A)	76	152
No.	International	Avg. No. of Departure / day	Avg. ATMs / day
9	Air India	3	6
10	IndiGo	3	6
11	Gulf Air	4	8
12	Oman Air	7	14
13	Arkia Israel	1	2
14	Aero Nomad	1	2
15	Qatar Airways	7	14
16	TUI	4	8
Sub-Total Int'l/week		30	60
Sub-Total Int'l/day (B)		4	8
Grand Total/Day (A+B)		80	160

Considering conversion of 80% initial slots filing into actual operations, MIA is expected to handle 128 ATMs per Day from 29th October 2023 till 31st Mar 2024. Hence the expected traffic from Nov 2023 till Mar 2024 will be:

Description	Nos
No of ATMs / day	128
Pax / ATM	150
Expected Traffic per month (in Mn)	0.58
Expected Traffic from Nov'23 to Mar'24 (in Mn)	2.90

The estimated traffic during FY 2024 at GGIAL will be as per below table:

Description	Traffic (in Mn)
Actual Traffic form Apr'23 till Sep'23	1.87
Expected Traffic in Oct'23	0.35
Expected Traffic from Nov'23 till Mar'24	2.90
Total Traffic for FY 2024	5.12

Based on the above facts the Authority is requested to kindly consider traffic for FY-24 as 5.12 Mn instead of our submission and AERA proposal of 6.88 Mn.

4.3.2 GIAL's comments regarding exempted Passengers are as follows:

A key consideration in YPP Calculation is passenger traffic. Any underestimation of such traffic adversely affects YPP numbers. In this regard, AERA has itself asserted that certain categories of passengers have been exempted through Government Order. The passengers that will pay UDF only should be considered in calculations as the airport can recover its cost only from such passengers.

In this regard we would like to highlight that AERA has not considered exempt passengers is not in line with expected principle of regulatory which ensures timely and complete recovery of approved ARR. This approach of AERA will result in a reduction in UDF and consequently not allowing Airport Operator to timely recover its approved ARR.

With respect to exempted passengers, we would like to draw the attention of the Authority on the tariff order for Chaudhary Charan Singh International Airport, Lucknow for the Third Control Period, Order No. 10/2023-24. (Clause 6.5.4 and Clause 6.5.5). The Airport Operator had adjusted the total traffic to account for billable passenger traffic. The Airport Operator had requested for 3% of the traffic to be considered as exempt, which AERA had accepted citing that it had taken similar decisions in BIAL Tariff Order No. 11/2021-22 and Order No. 46/2015-16 in respect of Metro Development Fees approval determination of Metro Connectivity Project for Mumbai Airport. The relevant extract for Lucknow Order has been attached below:

6.5.4 The Authority notes the comments of the AO on exempted passengers (claimed by AO as 3% of the total passenger traffic). Taking cognizance of the decisions of the Authority given in BIAL Tariff Order No.11/2021-22 for the Third Control Period and Order No. 46/2015-16, in respect of Metro

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TRAFFIC PROJECTIONS FOR THE THIRD CONTROL PERIOD

Development Fees approval determination of Metro Connectivity Project for Mumbai Airport, the Authority decides to consider on merit, the exempt passenger traffic as 3% of total passenger traffic and adjust the same while determining the billable passenger traffic for Lucknow Airport for the Third Control Period.

6.5.5 Based on the above factors, the Authority has determined the Traffic Forecasts, which it decides to consider for determination of tariff for the Third Control Period for CCSIA, which is as follows:

Table 67: Traffic decided by the Authority for the Third Control Period

Domestic Passengers (Lacs)	FY 2019-20	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Domestic PAX submitted by AO	46.97	31.00	44.00	54.12	65.49	77.93	272.54
Domestic PAX decided by the Authority (A)		27.11	45.47	54.12	65.49	77.93	268.12
AO's submission as a % of FY 2019-20 traffic		66%	94%	115%	139%	166%	
Traffic as per Authority as a % of FY 2019-20 traffic		58%	93%	115%	139%	166%	
Domestic exempted PAX %	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Average**
Submitted by AO		3%	3%	3%	3%	3%	3%
As per the Authority (B)		3%	3%	3%	3%	3%	3%
Domestic Billable PAX (in Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		30.07	42.68	52.50	63.53	75.59	
As per the Authority C = A*(1-B)		26.30	42.17	52.50	63.53	75.59	
International Passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
International PAX submitted by AO	7.37	3.3	5.4	8.37	10.04	11.9	39.01
International PAX decided by the Authority = (D)		5.93	8.72	9.67	10.80	11.9	47.02
AO's submission as a % of FY 2019-20 traffic		45%	73%	114%	136%	161%	
Traffic as per Authority as a % of FY 2019-20 traffic		80%	118%	131%	147%	161%	
International exempted PAX %	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Average**
Submitted by AO		3%	3%	3%	3%	3%	3%
As per the Authority (E)		3%	3%	3%	3%	3%	3%
International Billable PAX (in Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		3.20	5.24	8.12	9.74	11.54	
As per the Authority F = D*(1-E)		5.75	8.46	9.38	10.48	11.54	
Total passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Total PAX as per AO's submission	54.34	34.3	49.4	62.49	75.53	89.83	311.55
Total PAX decided by the Authority = A+D		33.04	52.19	63.79	76.29	89.83	315.14
Total traffic as per AO's submission as a % of FY 2019-20 traffic		63%	91%	115%	139%	165%	
Total traffic as per Authority as a % of FY 2019-20 traffic		61%	96%	117%	140%	165%	
Total Billable PAX (in Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		33.27	47.92	60.62	73.26	87.14	302.20
As per Authority (C+F)		32.05	50.62	61.88	74.00	87.14	305.69

AERA had also allowed exemption for transit/transfer passengers at Bengaluru Airport in BIAL Traffic Order No. 11/2021-22, citing the reason that such passengers are exempt from paying UDF. Relevant extract from the BIAL order is provided below.

Transfer passengers at Bangalore Airport

4.5.9 The Authority noted BIAL's submission related to transit/ transfer passengers at Bengaluru airport. The Authority noted from the Second Control Period order for BIAL that the transit/transfer passengers transiting upto 24 hours are exempted from levy of UDF. The relevant extract is produced below:

"Transit/transfer passengers (this exemption may be granted to all the passangers transiting upto 24 hours "A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

4.5.10 The Authority noted that BIAL has revised its projections of the share of the transit/ transfer passenger in the total passenger based on the actual transit/ transfer passenger share of FY21. The same are produced below:

Table 67: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's MYTP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	13%	13%	13%	13%	13%
International Pax	5%	5%	5%	5%	5%

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Table 68: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's ATP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	25.75%	17.45%	17.45%	17.45%	17.45%
International Pax	16.07%	11.11%	11.11%	11.11%	11.11%

4.5.11 The Authority examined the submissions made by BIAL related to the transit passengers in its ATP. The Authority is of the view that the increase in the transit passengers during FY21 is on account of the COVID-19 pandemic and thus, it is a short term trend and not likely to sustain in the future. Further, the Authority will be truing up the aeronautical revenues for the TCP based on actuals which will take into the actual transit passengers at BIAL. Therefore, the Authority decides that the share of transit passengers proposed by BIAL as part of its MYTP seem reasonable for the Third Control Period.

As there are multiple instances where AERA has considered only billable traffic, we request AERA to allow consideration of only billable passengers, hence allowing an exemption of 2% for domestic passenger traffic.

Other Stakeholders' comments regarding Traffic for the First Control Period:

4.3.3 APAO's comments regarding UDF Pass through are as follows:

"The Authority notes that GGIAL, Mopa, Goa has only considered billable domestic passengers, excluding 2% of domestic passenger traffic. The Authority notes that Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. GGIAL, Mopa, Goa cannot claim any pass through regarding UDF on such categories and this is followed by AERA across at all Major Airports. Therefore, there is no reason to consider the billable PAX traffic separately, as the Authority follows a consistent approach across all Major Airports, that naturally accounts for such considerations while projecting aeronautical revenues. The Authority notes that if this has been considered differently in any of the recent tariff orders, the same will be changed at the time of true up."

In this regard, APAO would like to humbly submit that this approach taken by AERA is not in line with the expected principle of regulatory which ensures timely and complete recovery of approved ARR. Though the UDF has been exempted by the appropriate authority, in all fairness it needs to be adequately compensated/ reimbursed from other passengers. We would like to submit that the regulator while determining tariff must ensure that the entire eligible tariff is recovered through passenger or airline charges. Any deviation in this approach of AERA will result in the reduction of UDF and consequently the Airport operator is unable to recover its approved ARR.

The Authority has also considered the exempted passengers while calculating the billable passengers in the case of Lucknow, Bangalore, Delhi and Hyderabad Airports as well. Hence, we earnestly request the Authority to kindly consider the billable passengers post reduction of exempted passengers as proposed by the Airport Operator.

4.3.4 AAI's comment regarding the traffic for the First Control Period:

- *While determining the tariff, apart from Aggregate Revenue Required (ARR), the number of passengers is the most important factor because the ARR is divided by number of passengers to determine the Yield Per Passenger. In case of AERA's Consultation Paper No. 11/2023-24 dated 31st August 2023 for determination of Aeronautical Tariff for Manohar International Airport (GOX) for the First Control Period (01.04.2023 - 31.03.2028), AERA has assumed the passenger traffic as per the report issued by CRISIL in December 2021 which has taken the initial projected traffic in 2023-24 as 13.18 million passengers for entire Goa. Post 2023- 24 an annual growth rate of 13.40 % and 5% for domestic passengers and international passengers, respectively, has been assumed. This results in a total traffic for Goa of 85.23 million passengers for the period 2023-24 to 2027-28.*
- *The passenger numbers forecasted by M/s CRISIL are based on an econometric approach, which is a hypothetical concept and when compared to actual traffic numbers for FY 2022-23, the projections are found to be very much on the higher side.*
- *In case of Tariff Order 04/2022-23 for Dabolim Airport dated 22/6/2022 the % share of passenger traffic projected and divided between Dabolim and Mopa was approx. 60%:40% but in Consultation Paper 11/2023-24 for Mopa Airport, the %share between Dabolim and Mopa has changed to approx. 40%:60%. The share of traffic between Mopa Airport and Dabolim Airport cannot be different in the tariff order of two airports and same division of traffic between Dabolim & Mopa which was used in Dabolim shall only be used for Mopa for consistency & equity ensuring fair play.*
- *Also, it is pertinent to mention that AERA in its CP 11/2023-24 has stated that a substantial portion of the international traffic will move to Mopa from Dabolim, which should not have been stated without any basis and it may also affect market sentiment for Dabolim airport. AAI would like to highlight that ratio of projected traffic has been unreasonably changed in the Consultation Paper. This is not correct and hence it is requested that the same ratio which has been used in the case of determination of tariff for Dabolim Airport should be used for determination of tariff for MOPA Airport. Otherwise, it will result, in case of MOPA Airport, in lower tariff per passenger, creating an unequal playing field.*

4.3.5 LIAL's comment regarding Exempted Passenger for calculation of UDF charges are as follows:
The Authority has proposed to not consider the billable traffic for calculation of Aeronautical charges. In this regard we would like to highlight that this approach of the Authority is not in line with regulatory principles which should ensure timely and complete recovery of the approved ARR. The regulator, while determining the tariff need to ensure that the entire eligible ARR is recovered through passenger or airline charges. This approach of the Authority will result in reduced recovery of UDF and consequently under-recovery of the approved ARR.

Further, in the said para it is mentioned that "The Authority notes that if this has been considered differently in any of the recent tariff orders, the same will be changed at the time of true up". This *statement is against the regulatory principles and tantamount to amendment of tariff orders already issued for the other Airports and therefore it should be avoided.*

4.4 GIAL's response to stakeholders' comments regarding Traffic Forecast for the First Control Period

4.4.1 GIAL has responded to AAI's comments regarding traffic for the First Control Period as follows:

AAI has requested AERA that the share of traffic between Mopa Airport and Dabolim Airport cannot be different in the tariff order of two airports. In this regard, it is stated that traffic projections are based on the study conducted by M/s CRISIL for Manohar International Airport, Mopa, Goa. The study employed an econometric model to estimate the demand for air traffic among passengers in the state of Goa, which is a well-established practice for projection techniques. In industry practice, this is a well-accepted approach for traffic forecasting. GGIAL has further requested the Authority to moderate the estimated traffic for FY 2024 based on the actual all date. However, for the rest of the Control Period, we expect to achieve the traffic forecast considered by AERA for FY 2025 and onwards.

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

Traffic forecast for FY 2023-24

4.5.1 The Authority notes GIAL's comments on considering the passenger traffic at 5.12 Mn for FY 2023-24 taking into account the actual passenger numbers for the first six months and the slot bookings for the upcoming months. The Authority decides to consider the most up-to-date data on traffic estimates in view of the evolving market dynamics and airline operations. Accordingly, the Authority decides to consider the passenger traffic as put forth by GIAL for FY 2023-24 i.e., 5.12 Mn (refer para 4.3.1) instead of 6.88 Mn in the Tariff Order, together with considering proportionate ATMs for 2023-24, as given below:

Table 39: Passenger and ATM Traffic considered by the Authority for the First Control Period

Pax traffic (in Mn.)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total	Oct'23 - Mar'24*	Total
Domestic	0.33	0.34	0.31	0.27	0.29	0.32	**1.86**	3.09	**4.95**
International	-	-	-	-	0	0.01	**0.01**	0.16	**0.17**
Total	**0.33**	**0.34**	**0.31**	**0.27**	**0.3**	**0.32**	**1.87**	**3.25**	**5.12**
ATM (in Nos.)	**Apr-23**	**May-23**	**Jun-23**	**Jul-23**	**Aug-23**	**Sep-23**	**Total**	**Oct'23 - Mar'24***	**Total**
Domestic	2,298	2,200	1,969	1,940	2,118	2,159	**12,684**	20,333	**33,017**
International	-	-	-	10	30	53	**93**	940	**1,033**
Total	**2,298**	**2,200**	**1,969**	**1,950**	**2,148**	**2,212**	**12,777**	**21,273**	**34,050**

**Based on estimates/ schedule provided by the airline*

Exempt passengers

4.5.2 The Authority notes comments submitted by GIAL and LIAL on exempted passengers with respect to the application of UDF and APAO's comments on UDF pass through. The Authority notes that no rationale on the computation of exempted passengers has been provided by the Airport Operator in the revised MYTP or during the entire stakeholder consultation process. Further, the Authority notes that at the time of tariff determination of the next control period, the actual aeronautical revenue based on the actual billable traffic automatically takes care of such concerns. Moreover, the Authority has not considered Exempted Passengers in certain Tariff orders issued in the recent past.

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Traffic share between Dabolim and Mopa, Goa

4.5.3 The Authority has reviewed AAI's comments regarding projected traffic and market share of traffic for Manohar International Airport, Mopa, Goa and GIAL's response for the same. The Authority notes AAI's comments that traffic estimates have been updated between the tariff determination of Dabolim airport carried out in 2022 and MIA, Mopa, Goa in 2023.

GIAL has commissioned an Independent Study on Traffic which was conducted by CRISIL based on which the traffic estimates were included in the MYTP submitted by the airport operator. AERA has reviewed the results of the study conducted by GIAL. AERA's consultant M/s KITCO has also evaluated the current and projected traffic along with capital expenditure projects. Their analysis has also indicated similar results as submitted by GIAL. Further, M/s PKF S&S, independent consultants appointed by AERA have also evaluated the traffic projections submitted by GIAL. AERA has also taken cognizance of the actual traffic for the period and updated the traffic estimates for FY 2023-24 (refer Table 39). Also, the traffic estimates consider certain new routes etc. which would result in an overall increase in traffic.

The current control period is a stabilization period, being a greenfield airport and the traffic allocation between the two airports and trends will be clear at the end of the current control period. The two airports in the vicinity will only encourage both to work for the overall improvement in Air Traffic at Goa, which will help to optimize the Aeronautical charges. Further, the traffic estimates will be trued up at the time of determination of Aeronautical Charges for the next control period. With respect to the traffic projections for FY 2023-24 provided by GIAL during the consultation process, these appear to be realistic and achievable, as they are based on actual data.

Based on the above, the Traffic decided by the Authority is as below:

Table 40: Traffic decided by the Authority for the First Control Period

Domestic Passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Domestic PAX submitted by GIAL, Mopa, Goa (Table 26)	6.09	6.91	8.62	10.67	12.11	44.40
Domestic PAX decided by the Authority (A)	4.95	6.91	8.62	10.67	12.11	43.26
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	13.46%	24.75%	23.78%	13.50%	-
Y-o-Y % growth in traffic		39.60%	24.75%	23.78%	13.50%	-
Domestic exempted PAX %	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Average**
Submitted by GIAL, Mopa, Goa	2%	2%	2%	2%	2%	2%
As per the Authority (B)	-	-	-	-	-	-
Billable Domestic Passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Submitted by GIAL, Mopa, Goa	5.97	6.77	8.45	10.46	11.87	43.51
As per the Authority (C=A*(1-B))	4.95	6.91	8.62	10.67	12.11	43.26
International Passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
International PAX submitted by GIAL, Mopa, Goa (Table 26)	0.79	0.94	0.98	1.12	1.21	5.04
International PAX decided by the Authority (D)	0.17	0.94	0.98	1.12	1.21	4.42
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	18.99%	4.26%	14.29%	8.04%	-
Y-o-Y % growth in traffic	-	452.94%	4.26%	14.29%	8.04%	-

Total passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Total PAX as per GIAL, Mopa, Goa's submission	6.88	7.85	9.60	11.79	13.32	49.44
Total PAX decided by the Authority	5.12	7.85	9.60	11.79	13.32	47.68
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	14.10%	22.29%	22.81%	12.98%	-
Y-o-Y % growth in traffic	-	53.32%	22.29%	22.81%	12.98%	-
Total Billable Passengers (in Mn)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Submitted by GIAL, Mopa, Goa	6.76	7.71	9.43	11.58	13.08	48.56
As per the Authority (E=C+D)	5.12	7.85	9.60	11.79	13.32	47.68
Domestic ATM (in Nos)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Domestic ATM submitted by GIAL, Mopa, Goa (Table 26)	40,620	46,079	57,499	71,156	80,719	2,96,073
Domestic ATM decided by the Authority (F)	33,017	46,079	57,499	71,156	80,719	2,88,470
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	13.44%	24.78%	23.75%	13.44%	-
Y-o-Y % growth in traffic	-	39.56%	24.78%	23.75%	13.44%	-
International ATM (in Nos)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
International ATM submitted by GIAL, Mopa, Goa (Table 26)	4,798	5,668	5,951	6,784	7,327	30,528
International ATM decided by the Authority (G)	1,033	5,668	5,951	6,784	7,327	26,763
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	18.13%	4.99%	14.00%	8.00%	-
Y-o-Y % growth in traffic	-	448.69%	4.99%	14.00%	8.00%	-
Total ATM (in Nos)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Total ATM as per GIAL, Mopa, Goa's submission	45,418	51,747	63,450	77,940	88,046	3,26,601
Total ATM decided by the Authority (H=G+F)	34,050	51,747	63,450	77,940	88,046	3,15,233
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	13.94%	22.62%	22.84%	12.97%	-
Y-o-Y % growth in traffic	-	51.97%	22.62%	22.84%	12.97%	-
Domestic Cargo (in MT)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
Domestic Cargo submitted by GIAL, Mopa, Goa (Table 26)	5,397	7,058	7,806	9,560	10,474	40,295
Domestic Cargo decided by the Authority (I)	5,397	7,058	7,806	9,560	10,474	40,295
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	30.78%	10.60%	22.47%	9.56%	-
Y-o-Y % growth in traffic	-	30.78%	10.60%	22.47%	9.56%	-
International Cargo (in MT)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**
International Cargo submitted by GIAL, Mopa, Goa (Table 26)	5,814	8,592	9,384	14,742	15,116	53,648
International Cargo decided by the Authority(J)	5,814	8,592	9,384	14,742	15,116	53,648
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	47.78%	9.22%	57.10%	2.54%	-
Y-o-Y % growth in traffic	-	47.78%	9.22%	57.10%	2.54%	-
Total Cargo (in MT)	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Total**

Total Cargo submitted by GIAL, Mopa, Goa	11,211	15,650	17,190	24,302	25,590	93,943
Total Cargo decided by the Authority (K=I+J)	11,211	15,650	17,190	24,302	25,590	93,943
GIAL, Mopa, Goa's submission Y-o-Y % growth in traffic	-	39.60%	9.84%	41.37%	5.30%	-
Y-o-Y % growth in traffic	-	39.60%	9.84%	41.37%	5.30%	-

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

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

4.6.1 To consider Passenger Traffic, ATM and Cargo Traffic for the First Control Period for Manohar International Airport, Mopa, Goa as per Table 40.

4.6.2 To true up the traffic volumes (Passenger, ATM and Cargo) based on actual numbers for the First Control Period at the time of determination of tariff for the next control period.

5 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FIRST CONTROL PERIOD

5.1 Background

5.1.1 RAB is an essential element in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for GIAL, Mopa, Goa. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment provided solely on the assets related to the core operations (i.e., Aeronautical Services) of the airport.

5.1.2 The Authority notes that, as part of the Concession Agreement (CA), GIAL, Mopa, Goa has proposed to plan and develop MIA, a greenfield airport in Mopa, Goa in a phased manner during the Concession period, to cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections. Development of the airport includes construction and procurement of various assets as described in Schedule B to the CA such as:

- Runways, Taxiways, Apron, Aircraft parking bays and associated facilities.
- Construction and procurement of Terminal Building

5.1.3 The Authority notes that GIAL, Mopa, Goa is mandated to develop an integrated terminal building which is efficiently planned, flexible for phase-wise development, sustainable and economical, as stipulated in Schedule B of Annex I of the CA. Further, as per clause 26.8.1 of the CA, GIAL, Mopa, Goa should participate in the user survey of Airport Service Quality (ASQ) undertaken by Airports Council International (ACI) conducted every quarter and ensure that the Airport achieves and maintains a rating of at least 4.2 out of 5.0 and / or shall appear within top 20 percentile of all airports, in its category in the world in such survey.

5.1.4 The Authority observed that the assessment of expansion/ modification plan of the Airport and its phasing is a technical matter, which requires analysis by the domain expert. The Independent Consultant M/s KITCO appointed by the Authority has performed an in-depth analysis of the submissions made by GIAL, Mopa, Goa towards Capital Additions and RAB. In this respect, the Independent Consultant has performed the following functions:

i. Examined the proposal of GIAL, Mopa, Goa in terms of the designated capacity of the airport/scope with reference to Passenger Growth/Cargo Volumes/Air Traffic Movement and assessed cost effectiveness of the proposal.

ii. Examined the Building standards, Designs and Pavement works including Cost thereon proposed by GIAL, Mopa, Goa to be in line with IMG norms/IATA/ICAO norms.

iii. Analyzed the reasonableness of the proposed cost with reference to the Tentative Ceiling decided by the Authority vide order No. 7/2016-17 dated 13.06.2016 based on the details of the rates and quantity as per Government / Industry approved norms.

iv. Sought documentary evidence and verified the process of approval of Capital Expenditure projects including bidding process for award of various work orders and justified reasonableness of Time Schedule of Completion of work proposed by GIAL, Mopa, Goa.

Based on the above, the Authority has rationalized the capital addition projects considering the essentiality, necessity for Airport operations etc.

5.1.5 In addition to the above, M/s KITCO, the independent consultant, has analyzed the tendering procedures adopted by GIAL, Mopa, Goa and relevant contract agreements related to capital expenditure submitted by GIAL, Mopa, Goa.

5.1.6 The Authority has sought and examined GIAL, Mopa, Goa's submission based on the following details/ criteria:

- Nature of the expenditure
- Necessity / requirement of the expenditure
- Business plan and Master plan for all projects
- Number of PAX projected for the First Control Period
- Terminal Capacity projected for the First Control Period
- Other short-term and long-term plans of the GIAL, Mopa, Goa
- Sustainability of airport operations
- Passenger consideration
- Safety and security of the airport
- Process of approval and sanction for various work orders / purchase orders

5.1.7 In the background of the facts stated above, the Authority has examined the entire CAPEX plan in detail, considering the historical traffic trends in Goa as a state and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the First Control Period with a view to encourage the investors and maintain a balanced approach between the sustainable operations of the GIAL, Mopa, Goa and the interest of the airport users. Further, the Authority takes cognizance of the fact that, if any excessive CAPEX is allowed in this Control Period, it would be against the regulatory framework, as tariff would have no link to the services/ facilities created at the Airport and the resultant high aeronautical charges would be unfair to the ultimate users.

5.1.8 Towards this objective, the Authority has examined in detail the Aeronautical Capital Expenditure and RAB submitted by the GIAL, Mopa, Goa and has presented its views in the following order:

i. Aeronautical Capital expenditure proposed for the First Control Period
ii. Asset Allocation Ratios and Aeronautical Allocation of Capital Expenditure
iii. Aeronautical Depreciation for the First Control Period
iv. Regulatory Asset Base for the First Control Period

5.1.9 The Authority notes that the Independent Engineer appointed by GoG has recommended the capex costs which has been approved by GoG.

5.1.10 Based on the above, the Authority through its Independent consultant (M/s PKF S&S LLP) has rationalized the capital expenditure for all the projects and accordingly proposed capital additions for the First Control Period.

5.2 GIAL's submission regarding Capital Expenditure (CAPEX) for the First Control Period

5.2.1 GIAL, Mopa, Goa submitted a total Capital Expenditure of Rs. 4,494.65 crores** in the revised MYTP dated 29th March 2023, for the First Control period, the details of which are as given below:

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India
सत्यमेव जयते

Table 41: Project wise revised Capital Expenditure submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Sl. No	Component	Phase-I	Phase-II Expansion	Phase-III Expansion	CAPEX for First Control Period
1	**General Requirements & Site Establishment**	**964.34**	-	-	**964.34**
a)	Site Establishment & Site Management charges	386.53	-	-	386.53
b)	Site office/Admin building	43.47	-	-	43.47
c)	Site Preparation/Earthworks	534.34	-	-	534.34
2	**Airside infrastructure**	**716.95**	**65.51**	**67.50**	**849.96**
a)	Runway, Taxiways and Apron	415.95	65.51	63.00	544.46
b)	Airside Buildings, Roads and Drainage Systems	301.00	0.00	4.50	305.50
3	**Passenger Terminal Building (a to f)**	**730.00**	**108.18**	**369.50**	**1207.68**
a)	Civil & Structural Works	347.00	-	-	347.00
b)	Terminal Equipment (HVAC, Plumbing, LV, ELV, etc.)	232.00	-	-	232.00
c)	Contact Stand & Visual Docking Guidance System (VDGS)	16.00	-	-	0.00
d)	BHS & Other Aero Equipment	79.00	-	-	79.00
e)	Operating Equipment	19.00	-	-	19.00
f)	Utilities (Power & Water)	37.00	-	-	37.00
4	Main Access Road and spine road	98.00	-	-	98.00
5	Car Park Area	3.00	-	-	3.00
6	Air Traffic Control (ATC) Complex	87.00	-	-	87.00
7	Additional Works	68.00	-	2.00	70.00
8	Permanent Water and Electricity	20.00	-	-	20.00
9	Aviation Skill Development Center (ASDC)	8.00	-	-	8.00
A	**Sub Total (1 to 9)**	**2695.29**	**173.69**	**439.00**	**3307.98**
10	Design Consultancy & PMC Expenses	112.00	13.90	36.00	161.90
11	Pre-Operative Expense	259.00	3.47	3.30	265.77
12	Contingencies	0.00	9.55	22.50	32.05
B	**Sub Total (10 to 12)**	**371.00**	**26.92**	**61.80**	**459.72**
13	Financing Allowance	448.00	15.44	52.25	515.69
14	Debt Service Reserve Account (DSRA)	89.00	-	-	89.00
C	**Sub Total (13+14)**	**537.00**	**15.44**	**52.25**	**604.69**
	General Capex				**125.00**
	Grand Total (A+B+C)	**3603.29**	**216.05**	**553.05**	**4497.39***

**The total amount of Rs.4,497.39 crores include the Capital spend of Rs.6.85 crores on the City Side Development.*

*** The difference of Rs.2.74 crores between the MYTP submission of Rs. 4,494.65 crores as per para 5.2.1 and Rs. 4,497.39 crores as per the table above, is due to certain rounding off differences in the Phase-II and Phase-III amounts submitted by GIAL, Mopa, Goa.*

Financing Allowance

5.2.2 GIAL, Mopa, Goa in its submission had stated that it has computed the Financing Allowance in accordance with section 5.2.7 of AERA guidelines. As per GIAL, Mopa, Goa, following is the computation of financing allowance:

Table 42: Financing Allowance as submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Financial Year	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total
Capital Work in Progress (CWIP) - Opening Balance	-	12.38	25.18	156.95	316.70	631.39	1,456.59	
Addition	12.38	12.80	131.77	159.75	314.69	825.20	1,691.49	
Capitalization	-	-	-	-	-	-	3,148.07	**3,148.07**
Closing WIP	12.38	25.18	156.95	316.70	631.39	1,456.59	-	
Average CWIP	6.19	18.78	91.07	236.83	474.05	1,043.99	728.30	
Financing Allowance	0.63	1.93	9.69	25.53	50.96	112.23	247.20	**448.17**
Total								**448.17**

5.2.3 Further, GIAL, Mopa, Goa in its submission had considered financing allowance of Rs. 15.44 crores and Rs. 52.25 crores for Phase-II and Phase-III expansion for the purpose of calculating RAB for the First Control Period.

Means of finance for the capital expenditure plan for the First Control Period

5.2.4 The debt and equity financing for the different capex categories as submitted by GIAL, Mopa, Goa has been summarized below:

Table 43: Project Means & Finance as submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Project	Total Project Cost	Equity	Debt
Phase-I	3,603.09	1,376.00	2,227.09
Phase-II	200.00	60.00	140.00
Phase-III	500.00	150.00	350.00
General Capex	125.00	-	-

5.2.5 The same had been discussed in detail in the Chapter 6.

5.3 Authority's examination regarding Capital expenditure (CAPEX) for the First Control Period at Consultation Stage

Authority's examination of Capital Expenditure

5.3.1 The Authority had carried out a detailed review of the Capital Expenditure for both the demonstration of need and the reasonableness of costs incurred. This review has evaluated each project carried out by GIAL, Mopa, Goa as part of Phase-I and those proposed to be carried out as part of Phase-II and Phase-III of the current control period.

5.3.2 The Authority observed that the assessment of the capital expenditure, expansion plans and its phasing is a technical matter and therefore requires analysis to be undertaken by domain experts. In this backdrop, the Authority appointed M/s KITCO to examine the overall project cost submitted by GIAL, Mopa, Goa.

The complete report of the independent study conducted by M/s KITCO is detailed in **Appendix I** of this Tariff Order.

5.3.3 M/s KITCO as a part of its examination has analyzed a total Capital Expenditure of Rs. 4,304.70 crores out of total capital expenditure of Rs. 4,494.65 crores submitted by GIAL, Mopa, Goa. The list of items not forming part of M/s KITCO's analysis were as follows:

- Financing Allowance for Phase-II and Phase-III amounting to Rs. 15.44 crores and Rs. 52.25 crores respectively.
- General Capex of Rs. 25 crores each year totaling Rs. 125 crores for the First Control Period

Table 44: Reconciliation between the Capex submitted by GIAL, Mopa, Goa and CAPEX analyzed by M/s KITCO

(Rs. in crores)

Particulars	Amount
Amount considered by M/s KITCO for its analysis (refer Table 63 and para 5.3.3)	4,304.70
Add: Financing Allowance for Phase-II (Table 41)	15.44
Add: Financing Allowance for Phase-III (Table 41)	52.25
Add: General Capex	125.00
Amount submitted by GIAL, Mopa, Goa (para 5.2.1)	4,494.65
Add: Round off difference	2.74
Project wise amount submitted by GIAL, Mopa, Goa (Table 41)	4,497.39

5.3.4 The independent study conducted by M/s KITCO analyzed the submissions made by GIAL, Mopa, Goa regarding CAPEX proposed for the First Control Period and examined the need for the proposed Project and its capacity including assessment of cost-effective alternatives, whether the building standards and designs are in line with IMG/IATA norms and the reasonableness of the proposed cost with reference to the tentative ceiling as decided by the Authority. The independent study had the following observations and recommendations with regard to the cost estimates proposed for the CAPEX of the First Control Period which are summarized below:

Hard Cost

a) Airside Pavement (Runway, Taxiways and Apron)

The Apron area considered for evaluation by M/s KITCO is 7,93,241 sq.m for Phase-I & Phase-II and 35,000 sq.m for Phase-III as submitted by GIAL, Mopa, Goa. M/s KITCO as per AERA normative approach order No. 07/2016-17 issued on 13th June 2016, has rationalized the normative cost submitted by GIAL, Mopa, Goa which is explained and summarized as follows:

- M/s KITCO has considered inflation adjusted normative cost for Pavement in FY 2021-22 (based on actual Wholesale Price Index (WPI) inflation rates for the period FY 2015-16 to FY 2020-21) and included 6% adjustment for the impact of GST as given in the table below:

Table 45: Inflation Adjusted Normative Cost for Apron

Normative Cost (INR per Sq.m)	FY16	FY17	FY18	FY19	FY20	FY21
Apron (A)	4,700					
WPI Index (B)*	109.70	111.60	114.90	119.80	121.80	123.40
Inflation adjusted Cost (C=A x B/109.70)	4,700	4,781	4,923	5,133	5,218	5,287

**Source: https://eaindustry.nic.in/default.as*

Table 46: Inflation Adjusted Normative Cost for Pavement

Particulars (in Rs.)	Amount (Rs.)
Normative Cost for Airside Pavement considered in FY 2020-21 (A)	5,287.00/Sq.m
Inflation considered for FY 2021-22 (B)*	7.14%
Inflation adjusted Normative Cost in FY 2021-22 (C)=[Ax(1+B)]	5,664.00/Sq.m
Adjustment for impact of GST (D)**	6%
Final cost in FY 2021-22 [C x (1 +D)]	6,004.00/Sq.m

**Average of WPI inflation for FY 2020-21 and FY 2021-22*

*** Normative cost as per AERA Order No.7/2016-17 dated 13th June 2016 includes the prevalent tax of 12%, additional 6% provided to account for the impact of GST as against 18%*

Table 47: Inflation Indexed Rate considered for Phase-III- Airside Pavement

Particulars	FY 23	FY 24	FY 25	FY 26
WPI Inflation	9.70%	3.30%	3.30%	3.30%
Per Sq.m cost in INR	6,586	6,804	7,028	7,260

Table 48: Cost Proposed by M/s KITCO for Airside Pavement for the First Control Period

Description	Inflation adjusted unit rate (Rs. per Sq.m) as per M/s KITCO	Quantity (Sq.m)	Amount claimed by GIAL, Mopa, Goa (Rs. in crores)	Amount recommended by M/s KITCO (Rs. in crores)	Remarks by M/s KITCO
(a) Cost of Airside Pavement		7,93,241 (Phase-I & II)	525.94 (Phase-I & II)	524.00 (Phase-I & II) (Normative Cost) Less: 50.00 474.00	GIAL, Mopa, Goa has incurred Rs. 50 crores for an extra width of 22 mtr for parallel taxi way to be used as Emergency Runway. It can be used as Emergency runway only after installation of all equipment and DGCA approval. Accordingly, this CAPEX can be allowed (in absolute terms) when assets is put to use.
	7,260.00 (Phase-III) (Inflation adjusted normative rate)	35,000 (Phase-III)	63.00 (Phase-III)	25.41 (Phase-III)	
(b) Prolongation cost due to restraints caused by National Green Tribunal (NGT) & Hon'ble			28.77 (Phase-I)	28.77 (Phase-I)	The delays in project extension and resulting additional costs, caused by constraints imposed by the NGT and the Hon'ble Supreme Court of India, cannot be solely attributed to GIAL, Mopa, Goa. The endorsement process, supported by the

Description	Inflation adjusted unit rate (Rs. per Sq.m) as per M/s KITCO	Quantity (Sq.m)	Amount claimed by GIAL, Mopa, Goa (Rs. in crores)	Amount recommended by M/s KITCO (Rs. in crores)	Remarks by M/s KITCO
Supreme Court of India					recommendation of the Independent Engineer, M/s Engineers India Limited (EIL) is vital indicator that GIAL, Mopa, Goa adhered to regulatory approvals. It is key to consider that certain external factors, like subsequent court interventions significantly contributed to the extended project timeline and increased expenses. Further it is noted that Independent engineer appointed by GoG has recommended this cost which has been approved by GoG.
(c) Additional Overhead (OH) charges due to scope change			13.99 (Phase-I)	- (Phase-I)	It is not to be considered, as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources related cost not applicable.
Total (a+b+c)			**631.70**	**528.18**	

b) Passenger Terminal Building (PTB) including Fit Outs

GIAL, Mopa, Goa had submitted that the warm shell for PTB corresponding to 7.7 MPPA amounting Rs. 780.69 crores is commissioned in the FY 2022-23 and Fit Outs amounting to Rs. 108.81 crores for Phase-II is expected to be commissioned in the FY 2023-24.

M/s KITCO has worked out the justifiable cost based on following:

a) Cost allowed for various other PPP airports like Hyderabad International Airport Limited (HIAL), Bangalore International Airport Limited (BIAL), Delhi International Airport Limited (DIAL) by AERA, based on the studies conducted by Independent Consultants.
b) Terminal Building Cost considering the design and specifications provided by GIAL, Mopa, Goa

On the basis of the above two factors, the cost of Phase-I & Phase-II is considered justified. During the review of the cost of PTB for Phase-III, M/s KITCO has adopted the same procedure that had been adopted to calculate the cost for the Airside Pavement. M/s KITCO has considered the inflation adjusted rate per sq.m for the Phase-III expansion as shown in the below table:

Table 49: Inflation indexed rate considered for Phase-III - PTB

Particulars	FY 23	FY 24	FY 25	FY 26
WPI Inflation	9.70%	3.30%	3.30%	3.30%
Cost Per Sq.m (INR)	131,500*	135,840	140,322	144,953

Source: Survey of Professional Forecasters on Macroeconomic indicators – Results of 80th Round (RBI)
**Cost per sq.m by GIAL, Mopa, Goa in Phase-I & Phase-II*

Table 50: Cost Proposed by M/s KITCO for PTB for the First Control Period

Description	Inflation adjusted unit rate (Rs. per sq.m) as per M/s KITCO	Quantity (sq.m)	Amount submitted by GIAL, Mopa, Goa (Rs. in crores) including GST	Amount recommended by M/s KITCO (Rs. in crores) including GST	Remarks by M/s KITCO
(a) Cost for PTB	1,31,500	67,726	888.87 (Phase-I & II)	888.87 (Phase-I & II)	Cost Justified as per analysis
	1,44,953 (Inflation adjusted normative cost)	25,000	369.50 (Phase-III)	362.38 (Phase-III)	Inflation adjusted cost
(b) Prolongation cost due to restraints caused by NGT & SCI			32.78 (Phase-I)	32.78 (Phase-I)	The delays in project extension and resulting additional costs, caused by constraints imposed by the NGT and the Hon'ble Supreme Court of India, cannot be solely attributed to GIAL, Mopa, Goa. The endorsement process, supported by the recommendation of the Independent Engineer, M/s Engineers India Limited (EIL) is vital indicator that GIAL, Mopa, Goa adhered to regulatory approvals. It is key to consider that certain external factors, like subsequent court interventions significantly contributed to the extended project timeline and increased expenses. Further it is noted that Independent engineer appointed by GoG has recommended this cost which has been approved by GoG.

Description	Inflation adjusted unit rate (Rs. per sq.m) as per M/s KITCO	Quantity (sq.m)	Amount submitted by GIAL, Mopa, Goa (Rs. in crores) including GST	Amount recommended by M/s KITCO (Rs. in crores) including GST	Remarks by M/s KITCO
(c) Additional Overhead (OH) charges due to scope change			15.95 (Phase-I)	- (Phase-I)	It is not to be considered as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources related cost not applicable.
Total (a+b+c)			**1307.10**	**1284.03**	

c) Airside Buildings, Roads and Drainage Systems

M/s KITCO on analysis of the cost relating to the Airside Buildings, Roads and Drainage systems has proposed the following:

Table 51: Cost Proposed by M/s KITCO for Airside Buildings, Roads and Drainage Systems for the First Control period

(Rs. in crores)

Sl. No.	Particulars	Amount Claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
a.	Storm water drainage system	107.34		Length of RCC Drain for entire area considered is 19.126 km. As per the direction of Hon'ble Supreme Court/ NGT, the complete drainage plan was revisited and additional provision of culverts, manhole was also included, other than drainage works. The cost was checked and found to be reasonable.
b.	Roads (Airside Road, Cross Service Roads at both east and west of parking stands, Vehicle Turn Pads in Head of stand Road	38.18		As per GIAL, Mopa, Goa for flexible pavement of 14.015 km, 2 lane road, rate adopted is Rs. 3632/sq.m including marking, signage etc. all complete. As per MoRTH, for flexible pavement, rate per sq.m comes to Rs. 4632/-, (considering BC:40mm, DBM: 60mm and SSB:250mm). Hence, rate considered is found reasonable.
c.	Buildings & Other Airside Infrastructure, Fire station, Sub-station, Pump house, NAVAID, Utility building, DG yard, STP, boundary wall, Workshop, Watch	75.21		For service building with Civil works, MEP and other service-related requirements, rates adopted are found to be reasonable considering DSR rates.

Sl. No.	Particulars	Amount Claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
	Tower and Morcha) Washing & Hot treatment area			
d.	MEP works (Runway, taxiway lighting, AGL system, CCTV system and IT works, HT Electrical works, Fire Hydrant Line)	38.20		Comparing with similar airside facilities airport the rates adopted for MEP works at Airside are found reasonable.
e.	Installation of Gabion wall	20.36		Gabion walls provided with heights varying from 10.40 m to 18.40 m. Comparing the rate of Maccafferi Terramesh and other related components with similar project values is found reasonable.
A	**Sub Total (a to e)**	**279.29**	**279.29**	As the rates adopted by GIAL, Mopa, Goa are comparable with the rates worked out by M/s KITCO comparing CPWD/ MoRTH/ Similar projects the amount submitted by GIAL, Mopa, Goa under the head Airside Buildings, Roads and Drainage system is found justified.
f.	Prolongation Cost by EPC due to restraints imposed by NGT & Hon'ble Supreme Court of India	14.48 (Phase-I)	14.48 (Phase-I)	The delays in project extension and resulting additional costs, caused by constraints imposed by the NGT and the Hon'ble Supreme Court of India, cannot be solely attributed to GIAL, Mopa, Goa. The endorsement process, supported by the recommendation of the Independent Engineer, M/s Engineers India Limited (EIL) is vital indicator that GIAL, Mopa, Goa adhered to regulatory approvals. It is key to consider that certain external factors, like subsequent court interventions significantly contributed to the extended project timeline and increased expenses. Further it is noted that Independent engineer appointed by GoG has recommended this cost which has been approved by GoG.
g.	Additional OH charges by EPC due to scope change	7.04 (Phase-I)	- (Phase-I)	It is not to be considered as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources related costs are not applicable.
B	**Sub Total (A+f+g)**	**300.81**	**293.77**	-
h.	GST @18%	54.14	52.88	-
C	**Sub Total (B+h) including GST**	**354.95**	**346.65**	-
i.	Airside additional works in Phase-III	4.50	-	Detailed estimate not provided for analysis. Hence, not admitted
	Total (C+i)	**359.45**	**346.65**	-

d) <u>Site Preparation/Earth Work:</u>

Cost of Site Preparation/Earth Work is as follows:

Table 52: Cost proposed by M/s KITCO for Site Preparation/Earth Work for the First Control Period

(Rs. in crores)

Particulars	Quantity (m^3)	Rate (Rs. per m^3)	Amount submitted by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
a) Earth work excavation in ordinary soil	1,17,00,000*	225.00**	263.25	263.25	* Total quantity considered in the tender assuming ordinary soil and normal excavation methodology. ** For the purpose of Amendment I to EPC contract post Hon'ble Supreme Court of India and Hon'ble High Court/NGT stay order and related delays, as on Jan 2019 (immediately before Hon'ble Supreme Court of India stay order, ~40 Lakh cubic meters of excavation was completed at contracted rate but out of that only ~0.6 lakh cubic meter could be filled due to the restriction on tree felling and consequently unavailability of filling sites. This balance excavated earth was stored within the site at various locations available for filling and remained there for more than one year during the stay order, exposed to natural elements including monsoon rains.) While revised rates were worked out for remaining cut & fill quantity of ~76.87 lakhs cubic meters, a reduced rate for re-transport of balance quantity already excavated and stored for refilling was necessitated, and a rate of Rs. 117 per cubic meter was agreed for re-transportation and filling as the earth had to be picked up through earth moving equipment and transported to intended fill locations before processing and filling. This rate was lower than the amended composite Cut & Fill rate of Rs. 225 as the earth was already excavated and was only to be transported and compacted. The amended rate so arrived was inclusive of steep increase in diesel price during this intervening period and earthwork rates primarily consists around 60% on account of diesel since the machines are primarily running on

Particulars	Quantity (m^3)	Rate (Rs. per m^3)	Amount submitted by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
					diesel. Diesel prices moved up from Rs. 54 per liter to Rs. 72 per liter, which was the primary factor. In addition, an idling claim of Rs. 10.62 crores was also agreed to be paid as most of the machineries used for Earthwork (Rippers etc.) were kept at site due to the uncertainty of lifting of stay order Hon'ble Supreme Court of India till June, 2019. For the purpose of ease and enabling measurements, all these above factors were agreed to be captured in terms of composite rate for entire quantity of earthwork at a rate of Rs. 225 per cum from Rs. 129 per cum (as per original EPC contract) to arrive at the price in Amended EPC contract, Amendment 1 (As per revised schedule 3A & 3B).
b) Earth work excavation in rock i) Ripping ii) Crushing	 1,04,38,314* 85,24,748*	 51.00** 161.00**	 53.24 137.25	 53.24 137.25	* Quantity allowed by GIAL, Mopa, Goa as rock requiring specialized excavation methodology ** Rate as per the conditional clause submitted by EPC during tendering as per item no. 2.1.2 (a) & (b).
c) Earth work initiation charge			47.52	47.52	
d) Prolongation Cost due to restraints imposed by NGT & Hon'ble Supreme Court of India			31.31 (Phase-I)	31.31 (Phase-I)	The delays in project extension and resulting additional costs, caused by constraints imposed by the NGT and the Hon'ble Supreme Court of India, cannot be solely attributed to GIAL, Mopa, Goa. The endorsement process, supported by the recommendation of the Independent Engineer, M/s Engineers India Limited (EIL) is vital indicator that GIAL, Mopa, Goa adhered to regulatory approvals. It is key to consider that certain external factors, like subsequent court interventions significantly contributed to the

Particulars	Quantity (m^3)	Rate (Rs. per m^3)	Amount submitted by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
					extended project timeline and increased expenses. Further it is noted that Independent engineer appointed by GoG has recommended this cost which has been approved by GoG.
e) Additional Overhead (OH) charges due to scope change			15.23 (Phase-I)	- (Phase-I)	Not admitted as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources included related cost not applicable.
Total (a+b+c+d+e)			547.80	532.57	
Total incl. GST@18%			646.41	628.43	

e) Administrative Office Building & Site Office

Cost of Administrative Office Building & Site Office is as follows:

Table 53: Cost proposed by M/s KITCO for Administrative Office Building and Site Office for the First Control Period

(Rs. in crores)

Sl. No.	Particulars	Amount Claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
a.	Building Works	35.95	35.95	Justified as per the similar works executed, considering the rate per sq.m as Rs. 65,000/- (As per CPWD Schedule of Rates)
b.	Profit, Preliminaries, Labor cess	0.69	-	Already included in the rates adopted. Hence not allowed
c.	External works	4.29	4.29	As per the similar works executed, the amount for Gabion wall is justified.
A	**Sub Total (a to c)**	**40.93**	**40.24**	
d.	Prolongation Cost by contractor due to restraints by NGT & Hon'ble Supreme Court of India	2.45 (Phase-I)	2.45 (Phase-I)	The delays in project extension and resulting additional costs, caused by constraints imposed by the NGT and the Hon'ble Supreme Court of India, cannot be solely attributed to GIAL, Mopa, Goa. The endorsement process, supported by the recommendation of the Independent Engineer, M/s Engineers India Limited (EIL) is vital indicator that GIAL, Mopa, Goa adhered to regulatory approvals. It is key to consider that certain external factors, like subsequent court interventions significantly contributed to the extended project timeline and increased expenses. Further it is noted that Independent engineer

Sl. No.	Particulars	Amount Claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
				appointed by GoG has recommended this cost which has been approved by GoG.
e.	Additional Overhead (OH) charges due to scope change	1.19 (Phase-I)	- (Phase-I)	It is not to be considered as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources related cost not applicable.
B	**Sub Total (A + d + e)**	**44.57**	**42.69**	
f.	GST @18%	8.02	7.68	
	Total (B + f)	**52.59**	**50.37**	Amount admitted by M/s KITCO excluding item **(b) & (e)**

f) ATC Technical Block & ATC Tower

Cost of ATC Technical block & ATC tower is as follows:

Table 54: Cost proposed by M/s KITCO for ATC Technical block & ATC tower for the First Control Period

(Rs. in crores)

Particulars	Amount claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
(a) ATC Technical block of built-up area 3826 sq.m including MEP and other services and with external envelope	45.26	41.80	Rate adopted by GIAL, Mopa, Goa for ATC TB including civil, structural and MEP (considering the enhanced electromechanical and Extra Low Voltage (ELV) infrastructure) and with external envelope comprising of steel and aluminum sections and 46 mm thick DGU unitized glass facade is analyzed comparing similar projects executed and the technical backup requirements. The final amount justified and recommended is Rs. 41.80 crores.
(b) ATC Tower of built-up area 721sq.m with MEP and other services and with external envelope.	35.98	27.78	Rate adopted by GIAL, Mopa Goa for ATC Tower including civil, structural (considering the height of 50 mtrs approx. and related design considerations) and MEP (considering the enhanced electromechanical and Extra Low Voltage (ELV) infrastructure) and with external envelope comprising of heavy steel and aluminum sections and 46 mm thick DGU unitized glass facade is analyzed comparing similar projects executed and the technical backup requirements. The final amount justified and recommended is Rs. 27.78 crores.
Sub Total A=(a+b)	**81.24**	**69.58**	

Particulars	Amount claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
(c) Prolongation cost due to restraints imposed by NGT & Hon'ble Supreme Court of India	4.51 (Phase-I)	4.51 (Phase-I)	The delays in project extension and resulting additional costs, caused by constraints imposed by the NGT and the Hon'ble Supreme Court of India, cannot be solely attributed to GIAL, Mopa, Goa. The endorsement process, supported by the recommendation of the Independent Engineer, M/s Engineers India Limited (EIL) is vital indicator that GIAL, Mopa, Goa adhered to regulatory approvals. It is key to consider that certain external factors, like subsequent court interventions significantly contributed to the extended project timeline and increased expenses. Further it is noted that Independent engineer appointed by GoG has recommended this cost which has been approved by GoG.
(d) Additional Overhead (OH) charges due to scope change	2.19 (Phase-I)	- (Phase-I)	It is not to be considered as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources related cost not applicable.
Sub Total (B=A+c+d)	**87.94**	**74.09**	
(e) GST @ 18%	15.83	13.34	
Total C=(B+e)	**103.77**	**87.43**	

Table 55: Breakup of cost assessed by M/s KITCO for ATC Technical block and ATC Tower

(Rs. in crores)

A) ATC Technical Block of built-up area 3826 sq. mtr. Including MEP and other services and with external envelope.	Amount
Cost for civil, structural, flooring and finishes= 3826 sq. mtr. X Rs. 35,000 * per sq.m	13.39
External envelope (consisting of 46 mm thick DGU glazing and associated structural supports)	9.43
Furniture and Cabling	2.90
MEP and ELV services (considering enhanced MEP and ELV infrastructure)	16.08
Total	**41.80**
B) ATC Tower of built up area 721 sq. mtr with MEP and other services and with external envelope.	**Amount**
Cost for civil, structural, flooring and finishes= 721 sq. mtr. X Rs. 45,000* per sq. mtr	3.24
External envelope (consisting of 46 mm thick large panel DGU glazing and associated heavy structural supports)	20.24
MEP and ELV services (considering enhanced MEP and ELV Infrastructure)	4.30
Total	**27.78**

**Rate (excluding GST) as per CPWD Schedule of rates*

The Authority observed that the basic cost of ATC technical Block & ATC tower was higher than the cost of the Terminal Building. Certain additional costs incurred by GIAL, Mopa, Goa as below were already considered by the Authority.

- Extra height of control tower,
- Utilization of high-strength steel due to the tower's height, and
- Elevated expenses for Aluminum Glazing to counter the impact of wind pressure.

The Cost after consideration of the above factors is still higher than the cost per sq.m considered by the Authority for Terminal Building. Accordingly, these costs have been rationalized by M/s KITCO as detailed in Table 55.

g) Main Access Road & Car Park

Cost analysis of Main Access Road and car park is as follows:

Table 56: Cost proposed by M/s KITCO for Main Access Road & Car Park for the First Control Period

(Rs. in crores)

<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Length of road (in KM)</th><th>Amount claimed by GIAL, Mopa, Goa</th><th>Amount recommended by M/s KITCO</th><th>Remarks by M/s KITCO</th></tr>
<tr><td>a.</td><td>Main access road to terminal / car park including intersections, rotary, Marking, signage and road furniture all complete</td><td>0.84</td><td>13.35</td><td rowspan="4">35.65</td><td rowspan="4">Total length of road = 4.723km (Item a to d). Width of road 5 lane & 2 lane

As per MoRTH, for flexible pavement, rate per sq.m comes to Rs. 4632/-, considering BC:40mm, DBM:60mm and SSB:250mm

As per the details submitted by GIAL, Mopa, Goa, the rate per sq.m including marking, signages etc. all complete comes to Rs. 4,597.56/-

As the amount claimed by GIAL, Mopa, Goa is within the amount as per the rate adopted based on MoRTH, the amount claimed is justified. (a to d)</td></tr>
<tr><td>b.</td><td>Terminal forecourt, waiting lane, passenger drop-off, pick up points including drainage, marking, signage and road furniture all complete</td><td>0.663</td><td>8.94</td></tr>
<tr><td>c.</td><td>Service roads on land side including marking, signage and road furniture all complete</td><td>2.00</td><td>8.94</td></tr>
<tr><td>d.</td><td>Other approach roads on landside including Marking, Signage and Road furniture all complete</td><td>1.22</td><td>4.42</td></tr>
<tr><td>e.</td><td>Road connecting express way to PTB</td><td></td><td>50.97</td><td>50.97</td><td>As per PO submitted by GIAL, Mopa, Goa</td></tr>
<tr><td>I</td><td>Sub Total (a+b+c+d+e)</td><td></td><td>86.62</td><td>86.62</td><td></td></tr>
</table>

Sl. No.	Particulars	Length of road (in KM)	Amount claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks by M/s KITCO
f.	Prolongation cost due to restraints by NGT & Hon'ble Supreme Court of India		2.14 (Phase-I)	2.14 (Phase-I)	The delays in project extension and resulting additional costs, caused by constraints imposed by the NGT and the Hon'ble Supreme Court of India, cannot be solely attributed to GIAL, Mopa, Goa. The endorsement process, supported by the recommendation of the Independent Engineer, M/s Engineers India Limited (EIL) is vital indicator that GIAL, Mopa, Goa adhered to regulatory approvals. It is key to consider that certain external factors, like subsequent court interventions significantly contributed to the extended project timeline and increased expenses. Further it is noted that Independent engineer appointed by GoG has recommended this cost which has been approved by GoG.
g.	Additional Overhead (OH) charges due to scope change		1.04 (Phase-I)	- (Phase-I)	It is not to be considered as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources related cost not applicable.
II	**Sub Total (I+f+g)**		**89.80**	**88.73**	
h.	GST @ 18%		16.16	15.98	
	Total (II + h)		**105.96**	**104.71**	Amount admitted by M/s KITCO excluding item (g)
i.	Car Park		3.00	-	Not analyzed as not forming part of aeronautical.

h) Additional works

Cost analysis of Additional work is as follows:

Table 57: Cost proposed by M/s KITCO for Additional Works for the First Control period

(Rs. in crores)

Sl. No.	Particulars	Amount claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks By M/s KITCO
I	Additional works for Phase-I			
a.	Police Station	4.79	4.79	Justified based on similar work undertaken by M/s KITCO. Hence admitting the amount submitted by GIAL, Mopa, Goa
b.	Taxi driver's facility, AEP, Post office, Bank, Tensile	5.41	1.79	Out of Rs. 5.08 crores submitted by GIAL, Mopa, Goa details submitted is only for Rs. 1.79 crores as given below

Sl. No.	Particulars	Amount claimed by GIAL, Mopa, Goa	Amount recommended by M/s KITCO	Remarks By M/s KITCO
	Fiber covered footpath, Canteen etc.,			which is justified by M/s KITCO: Canteen : Rs. 1.00 crores AEP : Rs. 0.41 crores Taxi Driver Facility: Rs. 0.38 crores Total : Rs. 1.79 crores
c.	Material Storage yard (2000 Sq.m	5.08	5.08	Admitted as per details submitted by GIAL, Mopa, Goa
d.	Infrastructure Tax	1.69	1.69	Tax paid to Mopa, Airport Development Authority.
e.	Tree Translocation	0.85	0.66	Admitted as per the PO submitted by GIAL, Mopa, Goa and as per the requirement of Hon'ble Supreme Court of India.
f.	Landside Staff Canteen	0.85	0.85	Admitted as per the PO submitted by GIAL, Mopa, Goa
g.	Central Store	0.85	0.26	Admitted as per the PO submitted by GIAL, Mopa, Goa
h.	Post Office (20 sq.m) & Bank	0.85	0.85	Admitted as per the PO submitted by GIAL, Mopa, Goa
i.	Miscellaneous	1.69	1.69	Admitted as per the PO submitted by GIAL, Mopa, Goa
j.	ASR/MSSR Building & Other Airside Infrastructure	5.63	5.63	Admitted as per the PO submitted by GIAL, Mopa, Goa for items (j) to (t).
k.	MT and GSE WS Area (1000 sq.m)	5.09	5.09	
l.	Compliance with new conditions imposed by Hon'ble Supreme Court of India	7.63	7.63	
m.	Art works -Subodh Kerkar	1.69	1.69	
n.	Signages- NH66	1.69	1.69	
o.	Signages - Approach Road	0.85	0.85	
p.	Signages- Village Road	0.85	0.85	
q.	Signages & Installations-Airport	2.96	2.96	
r.	Horticulture	2.33	2.33	
s.	Pax Experience	3.28	3.28	
t.	City side Development	4.23	4.23	
A	**Sub Total (a to t)**	**57.63**	**53.89**	
u.	GST @18%	10.37	9.70	
B	**Sub Total (A+u)**	**68.00**	**63.59**	
v.	Additional works for Phase-III	2.00		Cost not admitted as no details available for analysis.
C	**Sub Total (v)**	**2.00**		
	Total (B+C)	**70.00**	**63.59**	

i) <u>Permanent Water & Electricity</u>

For Permanent Water & Electricity infrastructure, GIAL, Mopa, Goa has deposited Rs. 20 crores to GoG. Being a statutory levy, the same is recommended to be considered.

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण Airports Economic Regulatory Authority of India सत्यमेव जयते

j) Construction of Aviation Skill Development Center (ASDC)

As per the Concessionaire Agreement, development, operation and maintenance of ASDC and ancillary facilities has been done by GIAL, Mopa, Goa. Thus, recommended to take this into consideration, as it aligns with the specifications of the concession agreement.

Details of analysis and recommendations are given below:

Table 58: Cost proposed by M/s KITCO for Aviation Skill Development Center (ASDC)

(Rs. in crores)

Sl. No	Description	Cost		Variance (A) – (B)
		As per GIAL, Mopa, Goa (A)	As per M/s KITCO (B)	
1	ASDC	8.00	7.66	0.34

Soft Cost

k) Design Consultancy & Project Management Consultancy (PMC) Expenses

Amount analyzed by M/s KITCO for Design Consultancy & PMC expenses are as follows:

Table 59: Cost proposed by M/s KITCO for Design consultancy & PMC expenses

(Rs. in crores)

Description	Amount claimed by GIAL, Mopa, Goa (Phase-I, II & III)	Amount recommended by M/s KITCO	Remarks by M/s KITCO
Design Consultancy Charges	14.00	14.00	Admitted as per PO submitted by GIAL, Mopa, Goa.
PMC expenses towards Airside works, PTB and Landside works	a) 82.00 Phase-I b) 13.90 Phase-II c) 36.00 Phase-III	a) 81.59 Phase-I b) 5.22 Phase-II c) 21.95 Phase-III	a) As clause 3.2 (Technical Criteria) of RFQ for selection of PMC Consultants for Mopa, Goa Project was found to be restrictive, recommending a deduction of 0.5 % from the PMC fee of Rs. 82 crores assessed. b) As Phase-II works includes only additional fit outs required to attain 7.7 MPPA, and all items included are Supply, Installation, Testing and Commissioning (SITC), only 3% of CAPEX submitted by GIAL, Mopa, Goa for Phase-II allowed towards PMC charges. c) Phase-III works considers increase in PTB area with fit outs and expansion in Apron area. This being an extension of already adopted procedures of contracting, 5% of CAPEX submitted by GIAL, Mopa, Goa for Phase-III considered for design and PMC charges.

Description	Amount claimed by GIAL, Mopa, Goa (Phase-I, II & III)	Amount recommended by M/s KITCO	Remarks by M/s KITCO
Fee for Independent Engineer Services	16.00	15.07	Considered Rs. 15.07 crores as per PO submitted by GIAL, Mopa, Goa (against claim amount of Rs. 16 crores) and approved by GoG
Total	**161.90**	**137.83**	

l) Pre-Operative Expenses

Pre-Operative expenses submitted by GIAL, Mopa, Goa is analyzed as follows:

Table 60: Cost proposed by M/s KITCO for Pre-Operative expenses

(Rs. in crores)

S.No	Description of item	Cost submitted by GIAL, Mopa, Goa including cost to be incurred for International Operations	Amount recommended by M/s KITCO	Remarks by M/s KITCO
I	**Phase-I**			
1	Manpower related cost	96.65	96.65	Cost admitted as per details submitted by GIAL, Mopa, Goa/ CA certificate for amount incurred. *The cost provided by GIAL, Mopa, Goa includes security coverage for the entire area, encompassing both land parcels and the airport premises. As a result, only 2/3rd of the total cost is allocated to security expenses specifically related to the airport premises. ** Since the legal charges primarily pertain to complying with the orders of the NGT and the Hon'ble Supreme Court of India, 2/3rd of the cost is allocated for these expenses.
2	Other Consultancy Charges	38.07	38.07	
3	Others (Incl. Admin & Finance Charges)	87.37	87.37	
4	Security Cost	15.60	*10.40	
5	Legal Charges	7.31	**4.87	
6	Operational Readiness and Airport Transfer (ORAT)	14.00	14.00	As submitted by GIAL, Mopa, Goa
	Total for Phase-I	**259.00**	**251.36**	-
II	**Phase-II**	**3.47**	-	No details submitted by GIAL, Mopa, Goa for analysis. Hence, not allowed.
III	**Phase-III**	**3.30**	-	
	Total (Phase-I to III)	**265.77**	**251.36**	-

m) Contingency

The provision of contingencies is towards physical contingencies including any modification to the scope of the work and unforeseen work. Considering the magnitude of the project, a provision of 3% towards contingencies is considered adequate (Rs. 9.55 crores towards Phase-II and Rs. 22.50 crores towards Phase-III totaling to Rs. 32.05 crores) as same is presently being followed by Govt. organizations such as CPWD etc.

n) Financing Allowance

GIAL, Mopa, Goa had submitted financing allowance as part of capital expenditure of the First Control Period. The computation of financing allowance by GIAL, Mopa, Goa has presented below:

Table 61: Financing Allowance as submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Financial Year	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total
Capital Work in Progress (CWIP)-Opening Balance	-	12.38	25.18	156.95	316.70	631.39	1,456.59	
Addition	12.38	12.80	131.77	159.75	314.69	825.20	1,691.49	
Capitalization	-	-	-	-	-	-	3,148.07	**3,148.07**
Closing WIP	12.38	25.18	156.95	316.70	631.39	1,456.59	-	
Average CWIP	6.19	18.78	91.07	236.83	474.05	1,043.99	728.30	
Financing Allowance	0.63	1.93	9.69	25.53	50.96	112.23	247.20	**448.17**
Total								**448.17**

M/s KITCO, based on the revised capital expenditure as proposed by it, had arrived at the financing allowance by applying the formula as provided under section 5.2.7 of the AERA guidelines 2011. Further for the purpose of Cost of Debt, M/s KITCO has adopted the rates provided by GIAL, Mopa, Goa. The estimated Financing allowance worked out to be Rs. 306.76 crores as shown in the table below:

Table 62: Financing Allowance calculation proposed by M/s KITCO for the First Control Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total
Rate of interest	10.25%	10.25%	10.55%	10.78%	10.75%	10.75%	10.73%	
Opening WIP	-	13.01	27.80	169.45	356.08	725.96	1,673.56	
Capital Expenditure	12.38	12.80	131.77	159.75	314.69	825.20	1,691.49	**3,148.08**
Capital Receipts	-	-	-	-	-	-	-	
Commissioned Assets							3,365.05	
Closing WIP (before FA)	12.38	25.81	159.57	329.20	670.77	1,551.16	-	
Financing Allowance (FA)	**0.63**	**1.99**	**9.88**	**26.88**	**55.19**	**122.40**	**89.79**	**306.76**
Closing WIP (after FA)	**13.01**	**27.80**	**169.45**	**356.08**	**725.96**	**1,673.56**		

o) Debt Service Reserve Account (DSRA)

The Debt Service Reserve Account (DSRA) is a reserve account specifically set aside to make debt payments in the event of a disruption of cash flows to the extent that debt cannot be serviced. GIAL, Mopa, Goa had submitted DSRA of Rs. 89 crores as part of capital expenditure for the First Control

Period. M/s KITCO noted that DSRA is not a part of CAPEX and hence recommended not to consider the same.

p) The analysis and remarks on the variations in components of the Capital expenditure by M/s KITCO is summarized below in Table 63.

Table 63: M/s KITCO recommendations on Project wise capital expenditure

(Rs. in crores)

Sl. No	Particulars	As per Revised MYTP submitted by GIAL, Mopa, Goa	Cost assessed by M/s KITCO	Variation	Remarks
1	Airside Pavement (Runway, Taxiways and Apron)	631.70	528.18	103.52	Refer para 5.3.4 a)
2	Passenger Terminal Building including Fit Outs (for 7.7 MPPA) (Phase-I, II & III)	1,307.10	1,284.03	23.07	Refer para 5.3.4 b)
3	Airside buildings, Airside roads & Drainage System (Phase-I & III)	359.45	346.65	12.80	Refer para 5.3.4 c)
4	Site Preparation/ Earthwork	646.41	628.43	17.98	Refer para 5.3.4 d)
5	Administrative building & Site office	52.59	50.37	2.22	Refer para 5.3.4 e)
6	ATC Technical Block and Tower	103.77	87.43	16.34	Refer para 5.3.4 f)
7	Main Access Road and Car park	108.97	104.71	4.24	Refer para 5.3.4 g)
8	Additional Works (Phase-I & III)	70.00	63.59	6.41	Refer para 5.3.4 h)
9	Permanent Water & Electricity	20.00	20.00	-	Refer para 5.3.4 i)
10	ASDC	8.00	7.66	0.34	Refer para 5.3.4 j)
A	**Sub Total (1 to 10)**	**3307.99**	**3121.05**	**186.92**	
11	Design Consultancy & PMC Expenses	145.90	122.76	23.14	Refer para 5.3.4 k)
12	Independent Engineer Services	16.00	15.07	0.93	Refer para 5.3.4 k)
13	Pre-operative Expenses (Phase-I, II & III)	265.77	251.36	14.41	Refer para 5.3.4 l)
14	Contingencies (Phase-I & III)	32.05	18.38	13.66	Refer para 5.3.4 m)
B	**Sub Total (11 to14)**	**459.72**	**407.58**	**52.15**	
15	Financing Allowance	448.00	306.76	141.24	Refer para 5.3.4 n)
16	DSRA	89.00	-	89.00	Refer para 5.3.4 o)

Sl. No	Particulars	As per Revised MYTP submitted by GIAL, Mopa, Goa	Cost assessed by M/s KITCO	Variation	Remarks
C	**Sub Total (15 & 16)**	**537.00**	**306.76**	**230.24**	
	Grand Total (A+B+C)	**4,304.71**	**3,835.38**	**469.33**	

Note: The soft costs will be apportioned among the projects based on the proportion of each project's hard costs to the total project cost.

5.3.5 The Authority proposed to consider the recommendation of the M/s KITCO report for the cost heads as above, together with making certain changes in the following cost heads as detailed below:

- Airside Pavement (Runway, Taxiways & Apron)
- Passenger Terminal Building including Fit Outs
- Design Consultancy & PMC Expenses
- Contingencies
- Financing Allowance

<u>Airside Pavement (Runway, Taxiways & Apron)</u>

5.3.6 The Authority noted that M/s KITCO has computed the inflation adjusted normative cost for Pavement in FY 2021-22 (based on actual WPI inflation rates for period FY 2015-16 to FY 2020-21) including 6% adjustment for GST impact as shown in the Table 46 above. Further M/s KITCO had adjusted the final cost (per sq. m) of FY 2021-22 with the inflation rates as per the results of the 80th round of survey of professional forecasters on macroeconomic indicators (RBI) to arrive at the per sq. m cost for FY 2022-23 and FY 2025-26 capitalizations (refer Table 47). However, for the inflation rates of FY 2022-23 and FY 2025-26, the Authority proposed to consider the Results of the Survey of Professional Forecasters on Macroeconomic Indicators i.e., the 82nd Round released on 8th June 2023 published by the RBI.

5.3.7 Thus, in order to determine the cost per sq.m, the Authority proposed to consider the inflation rates as per Chapter 7 as stated below:

Table 64: Inflation Indexed rate considered by the Authority for calculating cost for Airside Pavement (Runway, Taxiways and Apron)

Particulars	FY 23	FY 24	FY 25	FY 26
WPI Inflation	9.60%	1.90%	4.00%	4.00%
Per sq.m cost Rs.	6,581	6,706	6,974	7,253

Table 65: Cost Proposed by the Authority for Airside Pavement (Runway, Taxiways and Apron) at Consultation Stage

(Rs. in crores)

Particulars	Reference	Phase-I and II	Phase-III	Total
Total area of airside pavement in Sq.m	A	793,241	35,000	
Rate per Sq.m	B	6,581	7,253	
Cost	C=A*B	522.01	25.39	547.40
Less: Cost for area not put to use (Refer para 5.3.4 a))	D	50.00	-	50.00
Net Cost	**E=C-D**	**472.01**	**25.39**	**497.40**

Particulars	Reference	Phase-I and II	Phase-III	Total
Prolongation cost due to restraints caused by NGT & SCI (Phase-I)	F	28.77	-	28.77
Additional Overhead (OH) charges due to scope change (Phase-I)	G	-	-	-
Total	**H=E+F+G**	**500.78***	**25.39**	**526.17**

**Cost proposed by the Authority for Airside Pavement (Runway, Taxiway and Apron) for Phase-I was Rs. 435.53 crores and Phase-II is Rs. 65.25 crores.*

5.3.8 This resulted in a decrease of Rs. 2.01 crores from the estimate approved by M/s KITCO.

Passenger Terminal Building including Fit Outs

5.3.9 The Authority on examination of cost for the PTB, proposed to adopt the same procedure that had been adopted to calculate the cost of Runways, Apron & Taxiways i.e., to consider the inflation rates as explained in Chapter 7. Therefore, the revised calculation as per the Authority proposals were as follows:

Table 66: Inflation Indexed rate considered by the Authority for calculating cost for Passenger Terminal Building

Particulars	FY 23	FY 24	FY 25	FY 26
WPI Inflation	9.60%	1.90%	4.00%	4.00%
Per Sq.m cost Rs.	131,500	133,999	139,358	144,933

Table 67: Cost proposed by the Authority for PTB at Consultation Stage

(Rs. in crores)

Particulars		Unit Rate (Rs per Sq.m)	Quantity (Sq.m)	Amount
a) Cost for PTB	Phase- I & II	131,500.00	67,726.00	888.87
	Phase-III (FY26)	144,933.00	25,000.00	362.33
b) Prolongation cost due to restraints caused by NGT & SCI (Phase-I)				32.78
c) Additional Overhead (OH) charges due to scope change (Phase-I)				-
Total				**1,283.98**

5.3.10 This resulted in a decrease of Rs. 0.05 crores from the estimate approved by M/s KITCO.

Design Consultancy & PMC Expenses

5.3.11 The Authority noted that, as detailed in M/s KITCO's analysis on tendering process of Project Management Consultancy Services that while many reputed national agencies, having experience in carrying out similar services in other airports/ infrastructure projects were eligible, the criteria in the RFP was restrictive, resulting in very few participants being considered for evaluation. This was suitably considered and the value of services proposed to be considered as part of RAB had been reduced appropriately (Refer para 5.3.4 k)).

5.3.12 Further, the Authority on examination of the M/s KITCO report noted that the PMC expenses were calculated on the following basis:

- Phase-II PMC expense - 3% of CAPEX submitted by GIAL, Mopa, Goa for Phase-II
- Phase-III PMC expense - 5% of CAPEX submitted by GIAL, Mopa, Goa for Phase-III

5.3.13 The Authority noted that the Phase-II works included only additional fit outs required to attain 7.7 MPPA, and all items included were Supply, Installation, Testing and Commissioning (SITC) and Phase-III included increase in PTB area with fit outs and expansion in Apron area which was being an extension of already adopted procedures of contracting. Thus, the Authority proposed to consider 3% and 5% for Phase-II and Phase-III respectively, on the CAPEX amount allowed by the Authority for Phase-II and Phase-III as shown in the Table 65 and Table 67 above. Therefore, the revised Hard cost of Phase-II and Phase-III and the total PMC expenses proposed by the Authority for the First Control Period was as detailed below:

Table 68: PMC expenses computed by the Authority

(Rs. in crores)

Phases	Particulars	Reference	Amount	PMC expenses
Phase-II	Airside Pavements	Table 65	65.25	
	PTB (Fit outs)	Para 5.3.4 b)	108.81	
	Total		**174.06**	**5.22**
Phase-III	Airside Pavements	Table 65	25.39	
	PTB	Table 67	362.33	
	Airside Buildings	Table 41	4.50	
	Additional works	Table 41	2.00	
	Total		**394.22**	**19.71**

5.3.14 Based on the above, the Authority proposed to consider total cost for PMC expense as per Table 68 and for the other components of total Design Consultancy and PMC expenses, the Authority proposed to consider as per M/s KITCO's analysis mentioned in Table 59 above.

Table 69: Cost proposed by the Authority for Design Consultancy and PMC expenses at Consultation Stage

(Rs. in crores)

Particulars	Phase - I	Phase - II	Phase - III	Total
Design Consultancy Charges	14.00	-	-	14.00
PMC works	81.59	5.22	19.71	106.52
Independent Engineer Services	15.07	-	-	15.07
Total	**110.66**	**5.22**	**19.71**	**135.59**

<u>Financing Allowance</u>

5.3.15 As per Direction 5 of the AERA Act and the Authority's principles followed in the recent tariff orders, in case of Greenfield Airports the Authority proposed to provide for Financing Allowance. The Authority considered the capital projects that were being commissioned within the First Control Period to be initial phase of capital expenditure and accordingly financing allowance will be calculated for the Projects that were capitalized within the First Control Period of the airport.

5.3.16 The Authority had reviewed the calculations of the financing allowance for Phase-I as recommended by M/s KITCO in its report and had recomputed the financing allowance for Phase-II and Phase-III being considered within this control period.

5.3.17 The Authority vide email dated 13th June 2023, sought certifications on Financing Allowance for Phase-I and the details of the Cost of Debt from GIAL, Mopa, Goa. Based on the details and certificates provided by GIAL, Mopa, Goa the financing allowance was recomputed as below:

Table 70: Cost of Debt considered by the Authority for calculating the Financing Allowance

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Rate of interest	10.25%	10.25%	10.64%	10.81%	10.75%	10.73%	10.69%	9.00%

Table 71: Financing Allowance as proposed by the Authority for Phase-I at Consultation Stage

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Opening WIP	-	13.01	27.80	167.83	346.22	695.45	1,621.50	141.58	
Capital Expenditure	12.61	16.10	132.47	152.21	296.84	808.67	1,044.02	456.32	2,919.24
Capital Receipts	-	-	-	-	-	-	-		
Commissioned Assets	0.23	3.30	2.28	0.18	0.74	0.59	2,613.42	605.00	3,225.79
Financing Allowance	**0.63**	**1.99**	**9.89**	**26.36**	**53.13**	**117.98**	**89.47**	**7.10**	**306.55**
Closing WIP	**13.01**	**27.80**	**167.83**	**346.22**	**695.45**	**1,621.50**	**141.58**	**0.00**	**-**

5.3.18 Furthermore, GIAL, Mopa, Goa had submitted estimate of Financing Allowance for Phase-II and Phase-III as Rs. 15.44 crores and Rs. 52.25 crores respectively. Upon analysis and communication with GIAL, Mopa, Goa via mail dated 13th June 2023, GIAL, Mopa, Goa stated that Phase-II work will commence in early FY 2023-24. The Authority based on the GIAL, Mopa, Goa's submission noted that Phase-II work will start and get commissioned by the end of year. Therefore, the Authority noted that there was no requirement of Financing Allowance for Phase-II.

5.3.19 With respect to Phase-III, the Authority noted that the trigger for expansion for Phase-III is FY 2024-25 therefore, the Authority was of the view that the expenditure for Phase-III shall be incurred from FY 2024-25 and commissioned in FY 2025-26. The Authority assumed that 40% of the approved expenditure for Phase-III will be spent in FY 2024-25 and the remaining will be spent in FY 2025-26, based on which financing allowance for Phase-III was recalculated as Rs. 15.33 crores as against Rs. 52.25 crores submitted by GIAL, Mopa, Goa.

Other observations on Capital Expenditure

General Capex

5.3.20 The Authority noted that GIAL, Mopa, Goa had submitted Rs. 125 crores as General Capex to be incurred at a rate of Rs. 25 crores each year starting from FY 2023-24. The Authority noted that Manohar International Airport, Mopa, Goa is a newly constructed airport and additional expansion phases which have been included in the capital expenditure plan, as submitted by GIAL, Mopa, Goa and reviewed by M/s KITCO was considered by the Authority as part of Capital Expenditure for the First Control Period.

5.3.21 Upon seeking clarification from GIAL, Mopa, Goa vide email dated 5th July 2023, about the nature of General Capex proposed for the First Control Period, GIAL, Mopa, Goa stated that the General Capex is required for routine maintenance of the airport for various requirements which consists of the recurring expenditures required for a company to continue operating at current state. These requirements may include but are not limited to the following:

- Mandatory Security related expenditure resulting from directions of the regulatory authorities including BCAS and DGCA.
- Re-laying of roads for the airports, especially post the monsoon season

- Unplanned expenditure emerging from the passenger and other requirement
- Replacement requirement due to wear and tear of plant and equipment

5.3.22 Considering the above factors and clarification received from GIAL, Mopa, Goa, the Authority noted that there was no immediate need for significant Capex to be incurred by GIAL, Mopa, Goa. However, to account for any security related upgrades or any regulatory requirements, the Authority deemed it appropriate to consider Rs. 10 crores each year as General Capex (refer Table 72). These funds may only be utilized by GIAL, Mopa, Goa in case of specific requirements or regulatory mandates related to safety, security or other regulatory needs.

Debt Service Reserve Account (DSRA)

5.3.23 The Authority noted M/s KITCO comment on Debt Service Reserve Account (DSRA) as follows.

"An amount of Rs. 88.96 crores (out of total requirement of Rs.89.00 crores) has been transferred to DSRA after completion of Phase-I and COD and progressively till 06th May 2023 by the AO. Further, AO is earning interest @ 7.19% p.a. (weighted average) on quarterly compounding on such deposit. Hence, the return to be provided on the amount in DSRA is to be computed on differential interest i.e., Weighted Average Cost of Capital (WACC) minus 7.19% p.a. (quarterly compounding), as per the applicable guidelines for the first control period up to FY 2027-28. Since DSRA is not a part of CAPEX, therefore same is not being reflected in the amount recommended by M/s KITCO for CAPEX.

5.3.24 While M/s KITCO had not considered this as part of the Capital Expenditure, the Authority noted that M/s KITCO had indicated that a return equivalent to the difference between WACC and the interest earned on the deposit is to be given.

5.3.25 The Authority noted the following:

a. The requirement of DSRA was from the loan arrangement entered into by GIAL, Mopa, Goa for the purpose of financing the Airport Project. The Authority does not interfere in the manner of financing the airport construction. The Authority noted that different financing arrangements could have different pre-conditions which was primarily the responsibility of the GIAL, Mopa, Goa.
b. The Authority further noted that GIAL, Mopa, Goa is earning Interest at the rate of 7.25% per annum approximately on Fixed Deposit kept as DSRA.

5.3.26 Hence, the Authority was not convinced of providing any additional return on the DSRA deposit.

Credits available with respect to Goods and Service Tax (GST)

5.3.27 The Authority noted that GIAL, Mopa, Goa would be eligible to claim GST Input Tax Credits on procurement of certain movable property. The Authority expected that the GIAL, Mopa, Goa would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 at the time of true up of the RAB for the First Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the next Control Period.

5.3.28 Further, the Authority noted the following from the Audited Financial Statements submitted by GIAL, Mopa, Goa for the year ended March 2023.

"The Hon'ble Orissa High Court vide Judgement in W.P.No.20463/2018, in the case of Safari Retreats Private Limited, observed that the provisions of section 17(5)(d) of the CGST Act which put restrictions

on claiming of input tax credit are not in line with the objective of the Act, and accordingly, held that if an assessee is required to pay GST on the rental income arising out of investment on which it has paid GST, it is required to have input credit on the GST under section 17(5)(d) of the CGST Act.

GIAL (the company) will engage in rendering output supplies which are in the nature of letting out space/ facilities to various airline operators and other parties/ concessionaires, in return for consideration, known by different nomenclatures, and are leviable to GST. Hence, in view of the above judgement of the Hon'ble Orissa High Court, the Company is availing the GST ITC in respect of the costs for civil work incurred as part of the project progress. Further, department has filed an appeal in Hon'ble Supreme Court of India against the judgement of Hon'ble Orissa High Court. Pending outcome of judgement of Hon'ble Supreme Court of India, considering the judgement of Hon'ble Orissa High Court and based on the opinion obtained by the Company in this regard; the Management is of the view that GST ITC in respect of such civil work is eligible to be availed by the Company. Having regard to the same, GST ITC has been claimed in GST return and lying as balance to GST ITC unutilized kept in separate ledger in the books of accounts. Also, an intervention application has been filed by GIAL vide IA 139524 /2022 dated 19th September 2022 before Hon'ble Supreme Court of India in the matter of appeal filed by the department against Judgement of Orissa High Court in the matter.

Further a Writ Petition has also been filed by the Company before Hon'ble High Court of Bombay at Panaji, Goa on 18th December 2020, for ITC claim to be allowed of GST in respect of the civil works i.e. works contract service and goods and services received by the Company for construction of immovable property will be used for providing output taxable supplies. The writ was admitted, and numbered WP 99/2021. The matter is awaiting listing for final hearing. During the pendency of the Writ Petition, GIAL, field a stay application seeking stay of the demand notice as issued under 73 of the CGST Act and on 15th March 2023, the Hon'ble High Court disposed off the stay application by recording that no final orders will be made without seeking leave of the Court.

Considering that, the final decision in the SLP No. 26696/2019 filed by Union of India and other connected matters, may take longer time, the management has taken a considered view for recognition of the project expenditure in terms of the prudent accounting principles and prevailing circumstances and also in view of the fact that various departmental activities under the project are partly completed and partly under completion recognized as CWIP including the value of Input Tax Credit pertaining to the Civil Works as part of cost under respective heads of asset instead of Input GST. However, the management reserves its right to claim ITC in case of favorable decision from the Hon'ble Supreme Court on the above issue. Accordingly, GST ITC on civil works amounting to Rs.36,824.07 lakhs accumulated till 31st March 2023 has been reversed from GST recoverable account and now capitalized against the respective assets/ capital work in progress in the books on accounts during financial year 2022-23."

5.3.29 The Authority noted from the above that GIAL, Mopa, Goa had claimed Input Tax credit on the cost of civil works also, based on the order of Hon'ble Orissa High court and that this matter was pending before Hon'ble Supreme Court for a final decision. The Authority noted that while GIAL, Mopa, Goa had contended that this is recoverable as per the records maintained for GST purposes and also carried it as a GST recoverable asset in the financial statements till March 2022, the same had been added to Capital Expenditure and accordingly a significant portion of it would be also capitalized as RAB in FY 2022-23 and the remaining in FY 2023-24. The Authority noted that if the GST input credit is allowed, considering it as part of RAB would be inappropriate. However, clarity on this will be available only when a decision on this is pronounced by Hon'ble Supreme Court. Hence, the Authority proposed to consider this as part of Capital Expenditure and consequently RAB, will be trued up/ adjusted based on the decision on the same. If the same is allowable as a GST input credit, the same will be reduced from RAB from the year in which the addition was considered as part of RAB.

User Consultation

5.3.30 The Authority noted that GIAL, Mopa, Goa conducted Airport User Consultation Committee (AUCC) Meeting on 19th October 2021 with all the stakeholders and discussed about Capital Expenditure proposed to be undertaken during the First Control Period of FY 2023-24 to FY 2027-28. The meeting was attended by various airport stakeholders such as Airlines (IndiGo, SpiceJet, Vistara and other airlines), International Air Traffic Association (IATA), Federation of Indian Airlines (FIA), Fuel Farm (BPCL, HPCL), Central Industrial Security Force (CISF), Glenmark Pharma, Ground Handling (Celebi), Logistics (Broekman Logistics, Mega Freight) and others.

5.3.31 As per the minutes of the meeting, the Authority observed that GIAL, Mopa, Goa had broadly discussed the following with the stakeholders:

- Importance of Goa, its catchment area, attractiveness and GMR group's expertise in the airport sector
- Master / Phase-I development Plan and the construction progress update
- Present and future capex requirement and their respective means of Finance
- Cost comparison with AERA's benchmark cost

5.3.32 The Authority also noted that several stakeholders had provided feedback, some of which were summarized below:

- IATA raised concerns regarding the means of finance for security related investment, for which GIAL, Mopa, Goa stated that the cost relating to security equipment would become a part of RAB and accordingly recovered, however, CISF Capex and O&M Expenses would be recovered through Passenger Security Fee (PSF). IATA also enquired about the trigger point for the second runway.
- IndiGo and SpiceJet suggested incorporating a greater number of check-in counters and baggage claim carousels as the existing number of the same were less compared to the capacity of the airport.
- IndiGo raised concerns regarding project cost projected by GIAL, Mopa, Goa exceeding AERA's normative rates per sq.m and its benchmarked cost. This was explained by GIAL, Mopa, Goa that AERA's normative rates are with reference to 2017 and if they are indexed to 2021 then GIAL, Mopa, Goa would be marginally above the benchmarked cost and the same is said to be justified to AERA as per the requirement.

Capital Expenditure proposed by the Authority at the Consultation Stage

5.3.33 Based on the above analysis, the adjustments between M/s KITCO's report and the Authority's consideration of Capital Expenditure for the First Control Period was as summarized below:

Table 72: Capex comparison between M/s KITCO and the Authority's proposal for the First Control Period (includes Phase-I, II &III)

(Rs. in crores)

S.No	Description	Amount
A	GIAL, Mopa, Goa's submission (Table 44)	4,497.39

S.No	Description	Amount
B	Capex allowed as per M/s KITCO (Table 63)	3,835.38
C	Difference (A-B)	662.01
D	Adjustments by the Authority	
D.1	Adjustment to Runways	(2.01)
D.2	Adjustment to Terminal Building	(0.05)
D.3	Adjustment to PMC Costs	(2.24)
D.4	Adjustments to Financing allowance (including for Phase-III)	15.12
D.5	General Capex estimate allowed (Refer para 5.3.22)	50.00
	Total (D.1 to D.5)	60.82
E	Total Capital Expenditure proposed by the Authority (B+(D.1 to D.5))	3,896.20

5.3.34 Consequently, the details of capital expenditure proposed by the Authority for the First Control Period was as given below:

Table 73: CAPEX proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

S.No	Description	Amount
1	Runway, Taxiways and Apron - (Phase-I, II & III)	526.17*
2	Passenger Terminal Building including Fit Outs (for 7.7 MPPA) (Phase-I, II & III)	1,283.98
3	Airside buildings, Airside roads & Drainage System (Phase-I & III)	346.65
4	Site Preparation/ Earthwork	628.43
5	Administrative building & Site office	50.37
6	ATC Technical Block and Tower	87.43
7	Main Access Road, Spine Road and Car park	104.71
8	Additional Works (Phase-I & III)	63.59
9	Permanent Water & Electricity	20.00
10	ASDC	7.66
11	General Capex	50.00
A	**Sub Total (1 to 11)**	**3,168.99**
12	Design Consultancy & PMC Expenses	120.52
13	Independent Engineer Services	15.07
14	Pre-operative Expenses (Phase-I, II & III)	251.36
15	Contingencies (Phase-I & III)	18.38
B	**Sub Total (12 to15)**	**405.33**
16	Financing Allowance	321.88
17	DSRA	-
C	**Sub Total (16 & 17)**	**321.88**
	Grand Total (A+B+C)	**3,896.20**
18	**Phase-I**	**3,225.79**
19	**Phase-II**	**179.28**
20	**Phase-III**	**441.14**
21	**General Capex**	**50.00**

** The above amount excludes the cost of Rs. 50 crores for extra width of 22 mtr for parallel taxiway (proposed by GIAL, Mopa, Goa) which is to be used as Emergency runway only after installation of all equipment and DGCA approval. Accordingly, the Authority proposed not to consider Rs. 50 crores at this stage and proposes the same to be allowed when asset is put to use (For detail refer para 5.3.4 a)).*

5.3.35 The Authority proposed to reduce (readjustment) 1% of the uncapitalized project cost from the ARR / target revenue as re-adjustment in case any particular capital project was not completed/ capitalized as per the approved capitalization schedule. It was further proposed that if the delay in completion of the project was beyond the timeline given in the capitalization schedule, due to any reason beyond the control of GIAL, Mopa, Goa or its contracting agency and was properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by GIAL, Mopa, Goa and is also encouragement for GIAL, Mopa, Goa to commission/ capitalize the proposed assets as per the approved CAPEX plan/ schedule.

Year Wise Capital Additions

5.3.36 The Authority as per the proposal explained in para 3.2.7, proposed to consider the ratio of actual to total capital expenditure of GIAL, Mopa, Goa as base for capitalizing the cost proposed by the Authority for Phase-I in FY 2022-23 and FY 2023-24. Accordingly, 81.24% (as calculated in Table 11) of the total Capital Expenditure (Table 73) for Phase-I was capitalized in FY 2022-23 and the balance in FY 2023-24.

5.3.37 Considering above factors, the Authority proposed the following year wise capital expenditure for the period from COD to 31st March 2023 and First Control Period:

Table 74: Year Wise Capital Expenditure proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	FY23*	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
Building	760.63	321.41	-	256.21	-	-	1,338.25	577.62
Roads	172.84	57.21	-	-	-	-	230.05	57.21
Runway	505.19	221.59	-	23.37	-	-	750.15	244.96
Plant & Machinery	300.49	140.42	-	150.66	-	-	591.57	291.08
Apron	78.79	38.91	-	5.51	-	-	123.21	44.42
Furniture & Fixtures-other than trolley	10.07	4.80	-	5.39	-	-	20.25	10.18
General Capex	-	10.00	10.00	10.00	10.00	10.00	50.00	50.00
Land Development	792.73	-	-	-	-	-	792.73	-
Total	**2,620.74**	**794.33**	**10.00**	**451.14**	**10.00**	**10.00**	**3,896.20**	**1,275.47**

** FY 2022-23 capital additions presented in the table was considered in Chapter 3 –Tariff for period from COD to 31st March 2023.*

5.4 Asset Allocation of Capital Expenditure into Aero and Non-Aero for the First Control Period

GIAL, Mopa, Goa's Submission

5.4.1 GIAL, Mopa, Goa had provided the allocation of assets as follows into different asset categories.

Table 75: Category wise asset values of total additions as submitted by GIAL, Mopa, Goa

(Rs. in crores)

Category	Asset value
Aeronautical Assets	2,830.96
Non-Aeronautical Assets	-

Category	Asset value
Common Assets	1,656.84
Non-Regulatory Assets	6.85
Total	**4,494.65**

5.4.2 GIAL, Mopa, Goa had submitted that it has adopted the following methodology to allocate the assets between Aeronautical, Non-Aeronautical and Common assets:

a) Aeronautical assets are assumed to be those assets which are necessary or required for providing the aeronautical services at the airport
b) Non-aeronautical assets are those which are necessary for the performance of the non-aeronautical services at the airport.
c) Common assets are those assets which are not identifiable/categorized into either aeronautical asset or non-aeronautical assets.
d) Passenger Terminal Building has been considered as common asset and the asset related to terminal building are allocated in the ratio of the area of terminal building used for aeronautical and non-aeronautical services.

5.4.3 Further, GIAL, Mopa, Goa had submitted the terminal area ratio of 91.03%: 8.97%, considering 6,075 sq.m as non-aero area out of total terminal area of 67,726 sq.m.

5.4.4 Based on the above allocation methodology, GIAL, Mopa, Goa had submitted the detailed package wise cost allocation for the First Control Period as per table below:

Table 76: Detail of package wise cost and allocation as submitted by GIAL, Mopa, Goa

(Rs. in crores)

Package	Classification	Total Capex	Financing Allowance	Total	Aero	Non-Aero	Non-Airport
Apron	Aero	163.89	23.27	187.16	187.16	-	-
Runway	Aero	289.02	41.04	330.06	330.06	-	-
Taxiway	Aero	405.71	57.61	463.32	463.32	-	-
Drainage	Aero	236.55	33.59	270.14	270.14	-	-
Other Airside Building	Aero	395.72	56.19	451.91	451.91	-	-
Roads	Aero	280.44	39.82	320.26	320.26	-	-
P&M	Common	76.42	10.85	87.27	79.44	7.83	-
Fuel Hydrant System	Non-Aero	-	-	-	-	-	-
PTB	Common	765.06	108.64	873.70	795.33	78.37	-
ATC	Aero	127.90	18.16	146.07	146.07	-	-
Aeronautical Ground Lighting (AGL)	Aero	40.30	5.72	46.02	46.02	-	-
Heating, Ventilation and Air Conditioning (HVAC)	Aero	76.16	10.81	86.97	86.97	-	-
PH&E	Aero	159.07	22.59	181.66	181.66	-	-

Package	Classification	Total Capex	Financing Allowance	Total	Aero	Non-Aero	Non-Airport
Passenger Boarding Bridges (PBB) & VGDS	Aero	21.93	3.11	25.04	25.04	-	-
BHS	Aero	41.08	5.83	46.91	46.91	-	-
X-ray	Aero	52.53	7.46	59.99	59.99	-	-
Furniture	Common	16.31	2.32	18.62	16.95	1.67	-
City Side Development	Non-Regulatory	6.85	-	6.85	-	-	6.85
Phase-II expansion	Aero	200.00	15.44	215.44	215.44	-	-
Phase-III expansion	Common	500.00	52.25	552.25	497.03	55.22	-
General Capex	Common	125.00	-	125.00	122.00	3.00	-
Total		**3,979.93**	**514.72**	**4,494.65**	**4,341.70**	**146.10**	**6.85**

Authority's examination on Asset Categorization / Asset Allocation

5.4.5 The Authority had reviewed the asset categorization provided by GIAL, Mopa, Goa. The Authority also noted that GIAL, Mopa, Goa had submitted that the Fixed Asset Register was under preparation and was not completed. Hence, review of asset categorization and asset allocation carried out now, will be on an estimate basis which will be reviewed and updated at the time of true up in the next control period.

5.4.6 The Authority had obtained the area statement of the Terminal building and noted that GIAL, Mopa, Goa had considered 58,440.95 sq.m as aeronautical out of total area of 67,726.02 due to which Terminal Building Ratio (TBLR) adopted by GIAL, Mopa, Goa was 91.03%:8.97%. The Authority examined the Terminal Area ratio submitted by GIAL, Mopa, Goa and analyzed that the non-aeronautical area allocation considered by GIAL, Mopa, Goa for computation of Terminal Area Ratio was low when compared to other PPP airports. Further, it was observed that the area allocation towards non-aeronautical activities at the other PPP airports such as DIAL, MIAL, BIAL and HIAL are much higher than 10%. Even the IMG norms on passenger terminals recommend the non-aeronautical area allocation to be between 8-12% for any airport, while for bigger airports, i.e., with passenger traffic exceeding 10 million, commercial area could be up to 20% of the overall area. Considering that Manohar International Airport, Mopa, Goa is a newly established greenfield airport situated in a prominent tourist destination, the Authority believed that it would attract a substantial amount of traffic. The Authority encouraged GIAL, Mopa, Goa to allocate a larger portion of the terminal building for non-aeronautical activities which includes a wide range of amenities and services that cater to the needs and preferences of tourists visiting the region, together with ensuring that of all Aeronautical requirements are met. The Authority proposed a revised TBLR of 90%:10% for the First Control Period. This will be reviewed in the next Control Period.

5.4.7 The Authority in para 3.2.9 & 3.2.10 had explained in detail the rationale based on which it proposed to consider land development as a separate line item. Further the Authority was of the view that land development was utilized commonly for aeronautical, non-aeronautical and other activities, thus Gross Block Asset ratio as computed in Table 105 will be applied to determine the aeronautical proportion of land development costs.

5.4.8 Based on the above, the aeronautical capital additions year wise for the First Control Period was presented as below:

Table 77: Aeronautical Capital Additions proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Asset Classification	Classification	FY 23*	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
Apron	Aero	78.79	38.91	-	5.51	-	-	**123.21**	**44.42**
Runway	Aero	183.88	83.49	-	9.72	-	-	**277.09**	**93.21**
Taxiway	Aero	195.04	96.31	-	13.65	-	-	**305.01**	**109.96**
Drainage	Aero	126.27	41.79	-	-	-	-	**168.06**	**41.79**
Other Airside Building	Aero	192.11	63.59	-	-	-	-	**255.70**	**63.59**
Roads	Aero	172.84	57.21	-	-	-	-	**230.05**	**57.21**
P&M	Common	59.50	25.87	-	22.71	-	-	**108.09**	**48.58**
PTB	Common	430.89	205.31	-	230.59	-	-	**866.78**	**435.89**
ATC	Aero	82.86	27.43	-	-	-	-	**110.29**	**27.43**
HVAC	Common	42.30	20.16	-	22.64	-	-	**85.09**	**42.79**
PH&E	Common	104.46	49.77	-	55.90	-	-	**210.14**	**105.67**
PBB & VGDS	Aero	13.53	6.45	-	7.24	-	-	**27.22**	**13.69**
BHS	Aero	25.35	12.08	-	13.57	-	-	**51.00**	**25.65**
X-ray	Aero	32.42	15.45	-	17.35	-	-	**65.21**	**32.79**
Furniture	Common	9.06	4.32	-	4.85	-	-	**18.22**	**9.16**
Land Development	Common	758.61	-	-	-	-	-	**758.61**	**-**
City Side Development	Non-Aero	-	-	-	-	-	-	**-**	**-**
General Capex	Common	-	9.00	9.00	9.00	9.00	9.00	**45.00**	**45.00**
Total		**2,507.92**	**757.11**	**9.00**	**412.73**	**9.00**	**9.00**	**3,704.76**	**1,196.84**

** FY 23 aeronautical capital additions presented in the table was considered in Chapter 3 – Tariff for period from COD to 31st March 2023.*

5.4.9 Asset category wise aeronautical capital additions for the First Control Period was as presented below:

Table 78: Asset category wise Aeronautical additions proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY23*	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
Building	705.86	296.32	-	230.59	-	-	**1,232.77**	**526.90**
Roads	172.84	57.21	-	-	-	-	**230.05**	**57.21**
Runway	505.19	221.59	-	23.37	-	-	**750.15**	**244.96**
Plant & Machinery	277.57	129.77	-	139.41	-	-	**546.76**	**269.18**
Apron	78.79	38.91	-	5.51	-	-	**123.21**	**44.42**
Furniture & Fixtures-other than trolley	9.06	4.32	-	4.85	-	-	**18.22**	**9.16**

Particulars	FY23*	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
General Capex	-	9.00	9.00	9.00	9.00	9.00	**45.00**	**45.00**
Land Development (Refer Table 77)	758.61	-	-	-	-	-	**758.61**	-
Total	**2,507.92**	**757.11**	**9.00**	**412.73**	**9.00**	**9.00**	**3,704.76**	**1,196.84**

** FY 2022-23 aeronautical capital additions presented in the table was considered in Chapter 3 – Tariff for period from COD to 31st March 2023.*

5.5 Depreciation for the First Control Period

GIAL, Mopa, Goa's submission regarding depreciation for the First Control Period

5.5.1 GIAL, Mopa, Goa in its submission had stated that it has considered the useful life of an asset in line with AERA order No. 35/2017-18. Accordingly, the major asset heads for the purpose of capitalization and the useful life of asset along with the effective rate of depreciation considered by GIAL, Mopa, Goa in submission were as follows:

Table 79: Useful life adopted by GIAL, Mopa, Goa

Asset	Dep. Rate as per MYTP
Building	3.33%
Roads	10.00%
Runway	3.33%
Plant & Machinery	6.67%
Apron	3.33%
Furniture & Fixtures other than trolley	14.29%
General Capex	6.00%
Phase-II and Phase-III	4.56%

5.5.2 The following table summarizes GIAL, Mopa, Goa's estimation of aeronautical depreciation for all assets in First Control Period.

Table 80: Aeronautical Depreciation submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Particulars	FY23	FY24	FY25	FY26	FY27	FY28	Total
Building	14.51	46.46	46.46	46.46	46.46	46.46	**246.80**
Roads	10.01	32.04	32.04	32.04	32.04	32.04	**170.19**
Runway	11.08	35.46	35.46	35.46	35.46	35.46	**188.39**
Plant & Machinery	10.96	35.08	35.08	35.08	35.08	35.08	**186.36**
Apron	1.95	6.24	6.24	6.24	6.24	6.24	**33.15**
Furniture &Fixtures (other than trolley)	0.76	2.42	2.42	2.42	2.42	2.42	**12.87**
General Capex	-	0.73	2.20	3.66	5.12	6.59	**18.29**
Expansion	-	4.91	9.82	21.16	32.49	32.49	**100.87**
Total	**49.25**	**163.34**	**169.72**	**182.51**	**195.31**	**196.77**	**956.91**

Authority's Examination regarding depreciation for the First Control Period

5.5.3 The Authority noted that GIAL, Mopa, Goa had computed depreciation for the First Control Period based on the rates prescribed by AERA vide Order No. 35/2017- 18 dated 12th January 2018, in the matter of determination of useful life of Airports Assets. The Authority proposed to consider the same. For land development costs, the Authority proposed to consider the useful life based on lease period available with GIAL, Mopa, Goa i.e. 36.50 years (For details refer para 3.2.9 and Table 12).

5.5.4 The Useful Life adopted by the Authority and GIAL, Mopa, Goa was as presented below:

Table 81: Useful life adopted by the Authority

Asset	Useful Life adopted by GIAL, Mopa, Goa	Useful Life adopted by the Authority
Building	30	30
Roads	10	10
Runway	30	30
Plant & Machinery	15	15
Apron	30	30
F&F other than trolley	7	7
General Capex (Average rate)	17	17
Land Development	-	36.50
Phase-II & Phase-III *	22	-

Considered as per the relevant categories.

5.5.5 Considering the same and changes to the value of Capital Expenditure, allocation ratio and year of capitalization, the Authority had computed the depreciation of assets. The following table summarizes the revised depreciation proposed by the Authority:

Table 82: Total Aeronautical depreciation proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Asset Class	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
Building	7.34	28.44	33.37	37.21	41.05	41.05	188.47	**181.13**
Roads	5.40	20.14	23.00	23.00	23.00	23.00	117.56	**112.16**
Runway	5.25	20.51	24.20	24.59	24.98	24.98	124.52	**119.27**
Plant & Machinery	5.78	22.84	27.17	31.82	36.47	36.47	160.55	**154.77**
Apron	0.82	3.27	3.92	4.01	4.10	4.10	20.23	**19.41**
F&F other than trolley	0.40	1.60	1.91	2.26	2.60	2.60	11.38	**10.98**
General Capex	-	0.27	0.81	1.35	1.89	2.43	6.75	**6.75**
Land Development	6.49	20.78	20.78	20.78	20.78	20.78	110.40	**103.91**
Total	**31.49**	**117.86**	**135.17**	**145.03**	**154.88**	**155.42**	**739.86**	**708.37**

5.6 Regulatory Asset Base (RAB) for the First Control Period

GIAL, Mopa, Goa's submission regarding RAB for the First Control Period

5.6.1 As per GIAL, Mopa, Goa's submission, the RAB for First Control Period was as detailed below:

Table 83: RAB submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (a)	3,459.09	3,535.58	3,390.25	3,730.15	3,559.23	
Additions to RAB (b)	239.83	24.39	521.41	24.39	24.39	**834.41**
Deletions to RAB (c)	-	-	-	-	-	
Depreciation (d)	163.34	169.72	182.51	195.31	196.77	**907.66**
Closing RAB (e) = (a)+(b)-(c)-(d)	**3,535.58**	**3,390.25**	**3,730.15**	**3,559.23**	**3,387.84**	

Authority's examination regarding RAB for the First Control Period

5.6.2 The Authority had carefully examined the calculation of RAB and GIAL, Mopa, Goa's submissions in this regard. Considering the above, the RAB for the First Control Period as considered by the Authority was as shown below:

Table 84: RAB proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (a)	2,476.43	3,115.68	2,989.51	3,257.21	3,111.33	
Additions to RAB (b)	757.11	9.00	412.73	9.00	9.00	**1,196.84**
Deletions to RAB (c)	-	-	-	-	-	
Depreciation (d)	117.86	135.17	145.03	154.88	155.42	**708.37**
Closing RAB (e) = (a)+(b)-(c)-(d)	**3,115.68**	**2,989.51**	**3,257.21**	**3,111.33**	**2,964.90**	
Average RAB =[(a)+(e)]/2	**2,796.05**	**3,052.60**	**3,123.36**	**3,184.27**	**3,038.11**	

**The significant difference in additions of FY 2023-24 between Table 83 and Table 84 was due to capitalization of Phase-I remaining cost in FY 2023-24 by the Authority (this was fully considered as capitalized in FY 2022-23 by GIAL, Mopa, Goa (refer para 5.3.36 for detailed explanation))*

5.7 Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

GIAL's comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period:

5.7.1 GIAL's comment regarding non-consideration of emergency runway capital cost are as follows:

Cost of Airside Pavement

The Authority has not accepted Rs. 50 crores for emergency runway. It has been mentioned by AERA that it can be used as Emergency runway only after installation of all equipment and DGCA approval. Accordingly, this CAPEX can be allowed (in absolute terms) when assets is put to use.

Construction of taxiway segments abutting functional taxiway cannot be undertaken without significantly impacting flight schedules across the national network as segments of taxiway closures will create ground flow related restrictions for Air Traffic Control at this Airport because of the Airfield design. Also undertaking such works very close to the aircraft movement area with live operations involves flight safety/security issues which should ideally be avoided as much as possible. Considering the same, such programs are always undertaken as a best practice to avoid future operational impacts and mitigate flight safety/security concerns. Remaining enabling activities to activate the taxiway to function as a back-up runway is relatively easier. AERA should actually encourage such planned executions which *avoids future impact on passengers/Airlines and flight schedules across the country instead of penalizing them.*

We would like to highlight that carrying out these civil works at a later stage would have been challenging (major impact on costs as well as operational issues) considering the location would be "airside". Accordingly, it was considered prudent to at least carry out the civil works as part of Phase 1, which has resulted in major works being carried out in the most cost-effective manner. Hence, we request the authority to consider the cost of Rs 50 crores as the part of the project cost in Phase 1 itself.

5.7.2 GIAL's comment regarding cost of ATC Technical Tower and ATC Tower are as follows:

The Authority has recommended Rs. 41.80 crores for ATC Technical Block and Rs. 27.78 crores for ATC Tower. It has been mentioned by AERA that the rates adopted have been analyzed comparing similar projects executed and the technical backup requirements. We would like to highlight that the rate requested by GGIAL is based on the actual cost incurred in carrying out the works by the contractor. The various challenges faced due to continuous changes in requirements from AAI-CNS team have resulted in abortive work etc. Hence the overall costs are justified and same is requested to be allowed.

5.7.3 GIAL's comment regarding General Capex are as follows:

AERA has mentioned that there is no immediate need for significant Capex to be incurred by GGIAL, Mopa, Goa. However, to account for any security related upgrades or any regulatory requirements, the Authority deems it appropriate to consider Rs. 10 crores each year as General Capex. These funds may only be utilized by GGIAL, Mopa, Goa in cases of specific requirements or regulatory mandates related to security or other regulatory needs. We would like to request the Authority to consider the actual General Capex incurred during true up exercise in the next Control Period.

5.7.4 GIAL's comment regarding adjustments to contracted capital expenditure are as follows:

We submit that the capital cost that has been submitted by GGIAL has been decided based on a competitive bidding process and hence the price discovery has already been undertaken in the process. The capital cost for multiple items has been estimated by AERA based on normative approach. Adjustment of capital cost based on normative approach does not provide a true picture of the actual cost that has been incurred on a project.

As per Clause 5.6 of the Concession Agreement on "Obligations related to procurement of goods and services", GGIAL has followed a fair and transparent process for procurement of goods and services. As per the Concession Agreement, this is the criteria that has to be followed for procurement of goods and services using theoretical benchmarks for capital costs defeats the purpose of a procurement process. The relevant Clauses of the Concession Agreement are reproduced herein below for the Authority's reference.

5.6.1 The Concessionaire agrees and undertakes that it shall procure contracts, goods and services for the construction and operation of the Airport in a fair, transparent and efficient manner, and without any undue favor or discrimination on this behalf. In pursuance hereof, it shall frame a procurement policy specifying the principles and procedures that it shall follow in awarding contracts for supply of goods and services and shall place the policy on its website the information of general public and all interested parties. The policy shall also include the principles and procedures to be followed for leasing, licensing, sub-licensing, or grant or allocation of any space, building, rights or privileges to private entities.

5.6.2 For procurement of goods, works or services and for award of leases, licenses, sub-licenses or any other rights or privilege where the consideration exceeds Rs. 25,00,00,000 (Rupees twenty-five crore) in any Accounting Year (collectively the "Contracts"), the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under Clause 5.6.1. For the avoidance of doubt, the Parties *agree that the Concessionaire may, in its discretion, pre-qualify and shortlist the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm's length in a manner that is commercially prudent and protects the interests of the Users. The Parties further agree that the Concessionaire shall not enter into any Related Party Transaction or Contract with any Related Party except with (a) with the prior written consent of the Authority, which consent shall not be unreasonably withheld as a reserved item/affirmative action in accordance with the terms of the Shareholders' Agreement; and (b) such transaction is on arm's length basis and is in compliance with the provisions of the Companies Act, 2013. The Parties also agree that before granting any consent hereunder, the Authority shall be entitled to seek such information as it may reasonably require in relation to the Contract and the Related Party with whom the Contract is proposed to be executed and in the event the Authority does not approve or reject the proposal within 30 (thirty) days of the date on which the required information has been provided, it shall be deemed that the Authority has no- objection to such Contract.*

As per TDSAT order for DIAL dated 21st July 2023, TDSAT has opined that AERA cannot reduce capex. The following reasons support the decision:

1) *As per Section 13(1) of the AERA Act, AERA has to take into account the capital expenditure incurred on the project. Hence AERA has to appreciate capital expenditure which has been already incurred on the project.*
2) *If an expansion phase has been approved by AERA, capital expenditure related to the phase has to be also accepted by AERA.*
3) *Global competitive bidding process was followed by GGIAL for procurement of goods. If there is no evidence that the global bidding process had any flaws, the bidding process is accepted to be transparent. The price offered by the lowest bidder can be considered as "Market discovered price" arrived at through competitive bidding process. This market discovered price cannot be reduced by AERA under the guise of "efficient cost".*
4) *The figure arrived at by AERA is an estimated or probable cost. If the market discovered price is allowed to be altered by AERA in the name of "efficient cost", terms of contract will be altered which is not permissible, especially when the bidding process is not challenged by AERA.*
5) *Even under Section 63 of the Electricity Act, 2003 it has been mentioned that "...The Appropriate Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding...".*

The arguments provided above are also applicable to GGIAL. Therefore, it is requested that AERA accepts the response of GGIAL on the matter and approves the capital cost as provided by GGIAL.

5.7.5 GIAL's comments regarding non-consideration of additional overhead charges are as follows:

It is respectfully submitted that the recommendation of M/s KITCO in this regard is not correct. The heading additional overhead includes expenditure that has been incurred during execution of the additional works that includes amongst others:

1) *Additional staff supervision deployed and associated costs like accommodation, travel etc.*
2) *Cost related to manpower (labour) accommodation, facilities*
3) *Temporary work requirements like roads, offices etc. Since it is difficult to evaluate these costs separately, a percentage similar to the percentage in the contract has been considered.*

During the construction phase of GGIAL, construction of the project got delayed due to several factors which were not due to the Concessionaire default. Some of the issues are as below:

1) *Stay on Tree Cutting*

The execution of Project got delayed first due to stay on tree cutting at Project site by Hon'ble High Court of Bombay (Goa) on March 08, 2018, and later the Hon'ble Supreme Court of India had passed *an order dated January 18, 2019 to maintain status quo at project site and subsequently suspended the Environment Clearance granted to the Project vide order dated March 29, 2019. Post detailed hearing of the matter & Hon'ble Supreme Court of India vide its order dated January 16, 2020, reaffirmed the Environment Clearance granted to the 19 Project and dismissed the petition. For this, GGIAL received approval from GoG on February 07, 2020, for extension of SCOD and concession period by 634 days*

2) *Delay due to COVID-19 pandemic*

Due to COVID-19 related delays, the Government of Goa had extended timelines to the below:

a. *Concession Period from September 03, 2057 to May 30, 2059*
b. *Scheduled Completion Date (SCD) from September 03, 2020 to Nov 28, 2022 Hence there had been repeated mobilization of labour and machinery on account for these delays.*

Hence, we request the Authority to allow the actual expenditure spent on the item mentioned above.

5.7.6 GIAL's comments regarding reduction of Financing Allowance are as follows:

While computing the Financing Allowance (FA), the Authority computed Capital Work in Progress (CWIP) based on Independent Auditor Certificate for all years except FY 2023. CWIP additional amount for FY 2023 needs to be corrected to Rs.1,273 crores based on Independent Auditor Certificate provided, instead of Rs. 1,044 crores as has been considered by AERA. Following is the revised calculation based on correct CWIP addition amount.

CWIP	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	Total
Rate of Interest	10.25%	10.25%	10.64%	10.81%	10.75%	10.73%	10.69%	9.00%	
Opening		13	28	168	346	695	1621	383	
Addition	13	16	132	152	297	809	1273	228	2919
Capitalization	0	3	2	0	1	1	2613	628	3249
Closing	12	26	158	320	642	1504	281	0	
Financing Allowance	**0.63**	**1.99**	**9.88**	**26.36**	**53.13**	**117.97**	**101.68**	**17.94**	**329.6**
Closing WIP (after FA)	**13.01**	**27.8**	**167.83**	**346.23**	**694.45**	**1621.49**	**382.61**	**0**	

Hence, we request AERA to consider the correct amount of Rs. 329.60 crores as Financing Allowance.

5.7.7 GIAL's comments regarding Non-consideration of Debt Service Reserve Account are as follows:

GGIAL is a greenfield airport in which there are uncertainties related to traffic and revenue projections. These uncertainties are amplified given that GGIAL faces competition in the form of Dabolim Airport. In brownfield airports there is a certain degree of certainty in future revenue forecasts as the traffic numbers are established. This is not the case in case of greenfield airports, where lenders need some degree of comfort while disbursing debt.

In Project Finance, a Debt Service Reserve Account (DSRA), is a reserve account specifically set aside to make debt payments in the event of a disruption of cash flows to the extent that debt cannot be serviced. DSRA is typically funded in the final period of construction before debt starts to amortize. It is funded out of a mixture of debt and equity and is a part of overall sources of funds for project construction. As per the financing agreement with lenders, GGIAL is required to create and maintain a debt service reserve amount equivalent to Debt Service Payments of Rupee Lenders (only interest and Repayment Instalment) for the two quarters. The DSR Amount shall be created on SCOD and shall remain in force until the full repayment of monies by GGIAL to Lenders. The amounts accumulated in DSRA are not allowed to be used for any purpose other than for Debt Service Payments of Rupee Lenders. As part of financing agreements, GGIAL has created DSRA of Rs. 89 crores by way of deposit to Senior Lenders.

The monies being funded by a mix of Debt & Equity are part of project Means of Finance as upfront creation before the operational revenue starts thus forming part of Capital Expenditure cash outflow.

Given the requirement of DSRA for lenders and the fact that amount in DSRA is allowed to be used only for Debt Service Payments, we request AERA to please consider it as part of capital cost in case of GGIAL.

We acknowledge that DSRA fund has been kept as FDR and is earning 7.25% interest per annum. In case DSRA is not considered to be a part of the capital cost, we request Authority to allow at least the differential return between WACC and rate of FDR to GGIAL as recommended by M/s KITCO in the report submitted to the Authority.

5.7.8 GIAL's comments regarding Terminal building allocation are as follows:

The aeronautical/non-aeronautical areas used to calculate Terminal Building ratio are actual areas which are part of the Master Plan which has been approved by the Govt. of Goa. These parameters have been finalized and cannot be altered at this stage.

Comparing GGIAL to other airports does not seem prudent, as each airport has its own distinct characteristics. All the above airports that have been listed (DIAL, GIAL, BIAL and HIAL) have higher traffic numbers compared to the expected traffic numbers at GGIAL. Given GGIAL is a greenfield airport, there is no established traffic number in the case of GGIAL. In addition to this, there is the competition factor arising from an already established airport, i.e., Dabolim airport.

Hence in this case, there is a need to first establish GGIAL as a world class airport which can attract maximum passengers to the airport. Once this is established, more passengers will use the GGIAL airport which will in turn attract more non-aeronautical activities to the airport. Taking all this into consideration, GGIAL has carefully analyzed the terminal building distribution and has come up with the most optimum ratio of 91.03%:8.97%. Please note that the ratio that has been provided is the actual distribution at the Terminal Building. Hence it is requested that the Authority considers the aero: non-aero ratio of 91.03%:8.97% as calculated by GGIAL based on actuals instead of a benchmarked ratio assumed.

5.7.9 GIAL's comments regarding other asset allocation are as follows:

Land Development:

In Section 1.2 of this document, we have provided reasons as to why should not be considered as a separate line item, and its cost should be capitalized in the other assets. Hence, we request the Authority not to consider Land Development as a separate line item.

City side development:

As per Annex III (Schedule A) of the Concession Agreement signed for Mopa, GOA,

"The land available for commercial development is 381 acres. Out of these 381 acres, a restricted land use area of 149 acres is earmarked for parking, fuel farm, and utilities infrastructure including the necessary road networks and open space, if any. The remaining unrestricted part of City Side Development admeasuring 232 acres, out of 381 acres, will only be used for conducting economic activities as provided in Annex IV of Schedule A. A land use plan shown in Map IB illustrates the area for City Side Development. The Concessionaire is free to use the area marked for unrestricted land use for commercial development at its discretion with the necessary approval from the appropriate competent Authorities.

Further, after providing or earmarked space for the necessary facilities defined in above para under the restricted land use, the remaining space out of 149 acres of restricted land use may be utilized for *commercial development as allowed under unrestricted category subject to prior approval of the Authority as per the applicable development guidelines."*

Further, reference is also made to the provision of the Concession Agreement at para 32.3.2, which states as follows:

"...The GOI has vide its letter no F.No. AV 24011/12/2013-AD dated April 13, 2015, approved the 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions 24 of this Agreement. For avoidance of doubt, revenue of the Concessionaire from City Side Development shall be excluded from a. the shared-till framework for the determination and regulation of the Aeronautical Charges." (emphasis supplied)

It is clear from the above provision that the City Side Development is excluded from the shared-till framework for the determination and regulation of the Aeronautical tariff for GGIAL. Hence, we request the Authority to consider Cityside development under the non-regulated category.

Other Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period:

5.7.10 FIA comments regarding independent study of capital expenditure are as follows:

We note that AERA has conducted an independent study for evaluation of capital expenditure, which is appreciated.

5.7.11 FIA's comments regarding observations and recommendations on the independent study of capital expenditure are as follows:

FIA submits that, the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by considering the following:

We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13th June 2016 in order to keep the overall cost control and efficiencies in capex projects.

In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective. We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses, such that stakeholders, including passengers, do not pay for services/facilities which are not being availed by the stakeholders or passengers.

5.7.12 FIA's comments regarding capitalization of GST input tax credit are as follows:

FIA submits that the GST input credit is pending decision of Hon'ble Supreme Court, hence matter is sub-judice.

Accordingly, AERA should not allow the capitalization of amount which is contingent in nature keeping in view the principles of reasonableness & efficiency of capex. The AERA has also suggested true up in case the GST Credit is allowed, however this will lead to higher ARR in the current control period, leading to over recovery which has to be borne by future passengers.

Further, a significant portion of the same has been capitalized in FY23, accordingly, to calculate the impact of the same on the ARR, FIA considered the entire capitalization in the RAB of pre control period.

In this regard, FIA have also carried out a sensitivity analysis to understand the impact of not considering the GST recoverable asset amounting to INR 368 crores for target revenue of FCP. Our analysis indicate that it will decrease the PV of target revenue as of 31st March 2024 by INR 247 crores (8%) from RAB.

5.7.13 FIA's comments regarding reduction (readjustment) of uncapitalized project cost are as follows:

We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), made by AERA for capital expenditure projects is/are not completed/capitalized as per the approved capitalization schedule. Such adjustments can be made by AERA during the tariff determination process for the Second Control Period.

5.7.14 FIA's comments regarding terminal building ratio (TBLR) are as follows:

AERA have considered the Terminal Building Ratio ('TBLR') of 90:10 for the First Control Period. While we agree with AERA that the non-aeronautical ratio proposed by GIAL is on the lower side as compared to other bigger airports, which could go up to 20%.

However, it may be noted that:

1. *GIAL is considered as one of the comparable airports by AERA in this CP and we note that the PV of ARR as at 31st March 2024 will reduce by INR 11 crores (0.59%) after considering the reduction of from RAB due to change in allocation ratio from 90% to 87.30%.*
2. *Considering that Goa is tourist destination and have potential of higher non-aero revenue, we request AERA to kindly undertake detailed scrutiny examination with the assistance of an independent study for asset allocation, which is a standard practice done by AERA for all PPP model airport on or before the tariff determination of the FCP.*

In this regard, FIA have also carried out a sensitivity analysis to understand the impact of considering the allocation ratio of 87.30% on target revenue for FCP. Our analysis indicates that it will decrease the PV of net ARR as at 31st March 2024 by INR 11 crores (i.e., 0.36%).

FIA submits that this study will ensure correct assessment of allocation of assets, which is a standard practice followed by AERA for other PPP airports.

5.7.15 FIA's comments regarding useful life of airport assets are as follows:

While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', it is pertinent to note that:

1. *GIAL has been provided the airport for a period of 40 years from the appointment date which is extendable by another 20 years based on first right of refusal with the airport operator. Hence, it is submitted that the useful life of the airport and its terminal building should be considered 60 years, as against the useful life of 30 years for terminal building, which is half the period of the concession agreement. This will lead to a double (2 times) increase in the depreciation going forward.*
2. *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 and accordingly AERA to please prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.*

5.7.16 FIA's comments regarding pre-operative expenses are as follows:

It is observed that pre-operative expenses have been analyzed by M/s KITCO as per the phase wise cost submitted by GIAL.

FIA agrees with M/s KITCO in disallowing the cost for Phase 2 and Phase 3 expansion as details were not provided by GIAL.

However, for Phase 1, M/s KITCO has accepted the cost submitted by GIAL for Manpower related cost and other consultancy charges. Further, M/s KITCO has relied on the CA certificate submitted by GIAL.

However, it has not been clarified whether CA certificate pertains to the accuracy of the amount incurred or the correct accounting treatment of these expenditure.

For ORAT expenses, the AERA has accepted the cost as submitted by GIAL on as is basis and no explanation has been provided by M/s KITCO. In case of Security and Legal charges, M/s KITCO observes that these expenses have been provided by GIAL in the respective O&M block. However, M/s KITCO has allowed 2/3rd of the expense capitalization. No basis has been provided by M/s KITCO for considering 2/3rd of the cost for capitalization.

It is submitted that the AERA to please consider the pre-operative expenses for the purpose of RAB which are eligible for capitalization as per Indian Accounting Standards to avoid overstatement of RAB and consequently return and depreciation. Further, we request AERA to clarify whether the treatment of pre-operative expenses is in accordance with I-GAAP which is not explained or clarified in CP.

5.7.17 APAO's comments regarding Debt service reserve account are as follows:

The Authority has not considered Debt Service Reserve Account (DSRA) as part of CAPEX. Also, while M/s KITCO has recommended paying a return on the amount at a rate equivalent to the difference between WACC and the interest earned on the deposit, the same has not been accepted by AERA.

In Project Finance, a Debt Service Reserve Account (DSRA), is a reserve account specifically set aside to make debt payments in the event of a disruption of cash flows, to the extent that debt cannot be serviced. DSRA is typically funded in the final period of construction before debt starts to amortize. Such investments are funded out of a mixture of debt and equity and form a part of overall sources of funds for project construction. The amounts accumulated in DSRA are not allowed to be used for any other purpose other than for Debt Service Payments of Rupee Lenders. The monies being funded by a mix of Debt & Equity are part of project means of finance (as upfront creation prior to the commencement of operational revenues) thus forming part of Capital expenditure cash outflow. Hence a return on the differential amount should be provided by AERA.

5.7.18 AAI's comments regarding Normative cost are as follows:

1. *Normative Cost: While determining the cost of apron for Mopa, AERA has determined at a rate of Rs.7253 per sqm using the Normative Approach as per Order 07/2016-17 (Normative Approach to Building Blocks in Economic Regulation of Major Airports). However, in the case of Tariff Order 16/2023-24 dated 15/09/23 for Srinagar International Airport, AERA has determined a normative cost of Rs.7048 per sqm.*
2. *In the case of Mopa Airport, the Normative Cost of Rs.7253 per sqm. is 2.93% higher than the Normative cost used for AAI's Srinagar Airport, which clearly shows that there are not uniform Normative costs for all airports. AAI Airports also require the same amount of capex per sqm which private airport needs as there are not different service standards for private & AAI airports.*
3. *Also, AAI would like to highlight that as per the Authority's Order No.7/2016-17 (Normative Approach To Building Blocks in Economic Regulation of Major Airports) the unit normative cost for Apron (Rs. 4700 per sq. m.) and Terminal Building (Rs. 65000 per sq. m.) is inclusive of all contingencies and taxes.*
4. *The Authority vide its order 03/2028-19 for Chennai Airport had revised the unit normative cost for terminal building from Rs.65000 per sqm to Rs.1,00,000 per sqm.*
5. *In AERA's order 03/2018-19 for Chennai Airport, the estimation for Terminal Building was done on block cost basis without adjusting for inflation and was restricted to Rs. 1,00,000 per sqm. which is inclusive of all soft costs and applicable taxes. This is the approach followed in subsequent tariff orders of Varanasi, Amritsar and Trichy Airports.*
6. *The CAPEX was treated within the Normative limits for these AAI airports and any cost beyond the Normative limits was disallowed.*

7. *However, in the case of Ahmedabad Airport the Normative Cost of Rs. 1,00,000 per sqm was adjusted to inflation which came to Rs.1,12,966 per sqm that is almost 12% higher than AAI airports. This amount already contained service tax @ 12%. But AERA, when determining the CAPEX for the terminal building, added GST @ 18% to this amount instead of 6%. Hence, the effective tax rate is higher than 18%. Soft costs were considered separately.*
8. *Similarly, in the case of Lucknow Airport, the Normative Cost of Rs. 1,00,000 per sqm was adjusted to inflation which came to Rs.1,31,649 per sqm. This amount also contained service tax @ 12%. However, in this case AERA added a differential tax component of 6% to the CAPEX to bring it in line with GST @ 18%. In Lucknow Airport the soft costs were considered separately as well.*

It is requested that AERA review the methodology adopted for calculation of Normative cost at different airports and ensure that a uniform methodology is adopted to all airports & provide level playing field to all airport operators.

5.7.19 AAI's comments regarding general capex are as follows:

1. *Another important issue we would like to bring out the treatment in the case of 'General CAPEX" proposed in the Consultation Paper 11/2023-24 for Mopa Airport. It seems that as per the consultation paper, an amount of Rs 50 crores for the first control period @ Rs.10 crores per annum has been proposed by AERA for 'General CAPEX' during the control period.*
2. *AAI would like to highlight that there are no directions/guidelines for allowing general capex by AERA. Also, in the case of its airports any unplanned capex is only allowed by AERA during True Up and after submission of justification. So, it is requested that similar treatment is extended to AAI airports in light of AERA's order for 'General Capex' for Mopa Airport.*

5.7.20 LIAL's comments regarding Debt service reserve account are as follows:

The Authority has not considered Debt Service Reserve Account (DSRA) as part of CAPEX. Also, while M/s KITCO has recommended paying a return on the amount at a rate equivalent to the difference between WACC and the interest earned on the deposit, the same has not been accepted by the Authority.

In Project Finance, a Debt Service Reserve Account (DSRA), is a reserve specifically set aside to make debt payments in the event of a disruption of cash flows to the extent that debt cannot be serviced. Such reserve is funded out of a mixture of debt and equity and is a part of overall sources of funds. The amounts accumulated in DSRA are not allowed to be used for any purpose other than for Debt Service payments of Rupee Lenders. The monies being funded by a mix of Debt & Equity are part of project Means of Finance as upfront creation before the operational revenue starts thus forming part of Capital Expenditure. Hence, the return on the differential amount should be provided by the Authority.

5.8 GIAL's response to stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

5.8.1 GIAL's response to FIA's comments regarding observations and recommendations on the independent study of capital expenditure is as follows:

FIA requested to apply the normative cost and pressed that the non-essential capital expenditure to be put on hold. In this regard, it is stated that the assessment of expansion/ modification plan of the Airport and its phasing is a technical matter, which requires analysis by the domain expert. AERA Order No. 7/2016-17 dated 13th June 2016 does not limit the incurrence of capital expenditure at the normative limits. As per the Order itself, such capital expenditure amount was merely tentative at the time of issue of that order made more than seven years ago. The Independent Consultant M/s KITCO appointed by the Authority has performed an in-depth analysis of the submissions made by GGIAL towards Capital Additions and RAB. In this respect, the Independent Consultant has performed the following functions:

i. *Examined the proposal of GGIAL, Mopa, Goa in terms of the designated capacity of the airport/scope with reference to Passenger Growth/Cargo volumes/Air Traffic Movement and assessed cost effectiveness of the proposal.*

ii. *Examined the Building standards, Designs and Pavement works including Cost thereon proposed by GGIAL, Mopa, Goa to be in line with IMG norms/IATA/ICAO norms.*

iii. *Analyzed the reasonableness of the proposed cost with reference to the Tentative Ceiling decided by the Authority vide order No. 7/2016-17 dated 13.06.2016 based on the details of the rates and quantity as per Government / Industry approved norms.*

iv. *Sought documentary evidence and verified the process of approval of CAPEX projects including bidding process for award of various work orders and justified reasonableness of Time Schedule of Completion of work proposed by GGIAL, Mopa, Goa.*

Further, it should be noted that the Independent Engineer appointed by GoG has recommended the capital costs which has been approved by GoG. Hence, the entire project cost has gone through the review process by the independent consultants appointed by AERA and GoG. They have seen the efficiency of capital expenditure.

Further, we would like to refer to our comments pertaining to disallowances of capital cost submitted vide our response dated 29th September 2023 and request the Authority to consider them favorably.

5.8.2 GIAL's response to FIA's comments regarding capitalization of GST input tax credit is as follows:

Pending decision of Hon'ble Supreme Court w.r.t. GST input credit, FIA requested AERA to consider GST recoverable asset amounting to Rs. 368 crores amount which is contingent in nature keeping in view the principles of reasonableness & efficiency of capex.

At the outset, it is important to note that the Hon'ble High Court of Orissa, vide its order dated 17th April 2019 (Order), in Safari Retreats Private Limited Vs. Chief Commissioner of Central Goods & Service Tax [W.P. (C) 20463 of 2018], allowed availment of Input Tax Credit (ITC) on goods and services used for construction of immovable property and used in the course or furtherance of business.

Based on the aforementioned judgement, GGIAL, being a registered dealer under the GST Act, took a possible contention that it is statutorily entitled to avail the benefit of taking credit of the input tax (GST) charged in respect of works contract services which were consumed or utilized by it for the construction of the Mopa Airport and set off the same against the GST payable on the output supplies rendered by it which are in the nature of letting out space / facilities to various airline operators and other parties / concessionaires.

While the above contentions were taken, the Revenue Department filed an appeal in the Hon'ble Supreme Court against the judgement of the Hon'ble Orissa High Court. Separately, the Directorate General of Goods and Service Tax Intelligence issued a Show Cause Cum Demand Notice to GGIAL under Section 73 of the CGST Act, 2017 for availment of ITC as mentioned above.

Pending the final decision by the Hon'ble Supreme Court and other connected matters, GGIAL reversed the GST recoverable amount accumulated all March 31, 2023 and capitalized against the respective assets / CWIP in the books of accounts during FY 2022-23, which are duly audited the statutory auditors of GGIAL, while reserving its right to claim the ITC in case of favorable decision from the Hon'ble Supreme Court.

With the aforementioned treatment, the input tax credit on the accumulated GST amount in respect of works contract services is currently not available to GGIAL and hence blocked. In effect, GGIAL is deprived of the benefit of availing ITC, whereby it has to discharge and pay the GST payable on the output supplies rendered by it as mentioned above. This treatment is to give a just and equitable *protection to GGIAL and not to go against the stated rules and demand notice issued by the competent authorities, while reserving its right to avail once this matter is judicially resolved.*

Taking into consideration the above stated facts, the prevailing circumstances, and prudent accounting principles, GGIAL has capitalized the accumulated GST amount in the books of accounts. Any different treatment to such GST amount is dependent upon the decision of the Hon'ble Supreme Court. The Authority, after due consideration of the facts of the matter, has proposed to consider it as part of RAB, while noting that the same will be reduced from RAB from the year in which the said addition was considered as part of RAB.

It is our respectful submission that the demand of FIA for disallowance of the capitalization of this accumulated GST amount is highly objectionable. It would lead to denial of fair returns to the Airport Operator and shall inevitably impose an unjust economic burden.

5.8.3 GIAL has responded to FIA's comments regarding terminal building ratio as follows:

FIA requested AERA to consider higher "TBLR" similar to other bigger Airport like MIAL also requested to undertake detailed scrutiny examination with the assistance of independent study for asset allocation.

In this regard it is stated that, GGIAL in its MYTP submission considered Terminal building ratio as 91.03: 8.97% which is based on actual areas which are part of the Master Plan which has been approved by the Govt. of Goa. Comparing GGIAL to other airports does not seem prudent, as each airport has its own distinct characteristics.

5.8.4 GIAL has responded to FIA's comments regarding useful life adopted are as follows:

FIA requested that useful life of the Airport & Terminal building should be considered 60 years in line with the period of concession agreement. In this regard it is submitted that, as per the Concession Agreement, GGIAL, Mopa, Goa will develop the airport under the DBFOT (Design, Build, Finance, Operate and Transfer) model for an initial period of 40 years from the appointment date (4th September 2017), which is extendable by another 20 years (based on bidding process) with the First Right of Refusal available to the Concessionaire.

Further, the Authority applies Order No. 35/2017-18 dated 12th January 2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09th April 2018 in the matter of determination of useful life of Airport assets, which is standard for all Airports. Hence, the maximum useful for any asset could be as stated in order or the concession period (40 years) whichever is lower. This understanding is aligned to the Authority's order mentioned above.

5.8.5 GIAL has responded to FIA's comment regarding pre-operative expenses as follows:

FIA requested AERA to consider the pre-operative expenses for the purpose of RAB which are eligible for capitalization as per Indian Accounting Standards to avoid overstatement of RAB and consequently return and depreciation. In this regard, it is stated that these are the actual expenses incurred by the Airport Operator which has been substantiated to M/s. KITCO with proper reasoning and actual proof. The pre-operative expenses considered for the purpose of RAB are eligible for capitalization as per the Indian Accounting Standards and there is no overstatement of RAB and consequently return and depreciation.

5.8.6 GIAL has responded to AAI's comments regarding general capex as follows:

AAI stated that there are no directions/guidelines for allowing general capex by AERA. Also, in the case of its airports any unplanned capex is only allowed by AERA during True Up and after submission of justification. So, it is requested that similar treatment is extended to AAI airports in light of AERA's order for 'General Capex' for Mopa Airport. In this regard, it is stated that to account for any security related upgrades or any regulatory requirements, the Authority deems it appropriate to consider General Capex.

Further, allowing general maintenance capex is standard practice followed by AERA in other Airport. We agree with AAI that similar treatment may be extended to AAI Airports.

5.8.7 GIAL has responded to AAI's comments regarding Normative cost as follows:

AAI stated that while determining the cost of apron, AERA has determined at a rate of Rs. 7,253 per sqm. using the Normative Approach as per Order 07/2016-17. However, in the case of Tariff Order 16/2023-24 for Srinagar International Airport, AERA has determined a normative cost of Rs.7048 per sqm. In this regard, it is stated that in the case of Srinagar, AERA mistakenly considered ceiling cost of Rs. 4700 per Sqm for 2016-17 instead of 2015-16.

Further, regarding AAI's comment on restricted capital cost up to normative based on order mo. 7 / 2016-17 and Chennai order no. 03/2018-19, it stated that once the price has been arrived at through a market discovery process the question of restoring to an option of estimate in determining the price does not arise and is irrelevant. (Hon'ble TDSAT in AERA Appeal No. 1/2016 and AERA Appeal No. 1/2021).

In case of DIAL TDSAT order dated 21.07.2023, TDSAT observed following:

- ✓ *As per the provisions given in Section 13(1) of AERA act, AERA must appreciate "actual CAPEX incurred" by the Airport Operator.*
- ✓ *Phase-3A CAPEX amount given by DIAL was based on competitive bidding process and principally and technically approved by MoCA.*
- ✓ *AERA has no power, jurisdiction and authority to interfere in the contract signed between DIAL and the selected bidder.*
- ✓ *AERA cannot reduce the amount of CAPEX for Phase 3A expansion project proposed by DIAL*

Further, Normative cost of Ahmedabad & Lucknow is not part of this consultation paper. Hence, no response was solicited.

5.9 Authority's analysis on Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

5.9.1 The Authority has noted the comments submitted by GIAL, other stakeholders and the counter comments submitted by GIAL. These are analysed in the ensuing paragraphs.

5.9.2 The Authority has noted FIA's comments regarding conducting an independent evaluation of Capital Expenditure.

Airside Pavement cost

5.9.3 The Authority notes GIAL's comment on the cost of Parallel Taxi Track (Airside Pavement) that the same was done earlier in view of future operational impacts and based on safety and security considerations. The Authority recognizes the importance of implementing best practices to safeguard both passengers and airlines. The Authority notes that the standard dimension of Parallel Taxi Track (Airside pavement) is 23 Metres plus shoulders as being considered by AAI and all other PPP airport operators etc. based on ICAO Aerodrome design manual Part-3. Additional width of 22 metres of parallel taxiway has been constructed by GIAL, in Manohar International Airport, Mopa, Goa which is not a common practice. This taxiway will be used as secondary runway and can only be operationalised and will be used in case of emergency situation only, after the approval of the regulator – DGCA and installation of all equipment like lights and after doing the necessary runway markings as per ICAO guidelines.

It is imperative that any expenditure incurred has to be put to use for the usage of the airport users. Hence, the Authority decides that that such capital expenditure will be allowed only when it is actually put to use which is subject to thorough examination of the same on merits at the time of true up of the First Control Period during the tariff determination of the next control period.

Cost of ATC Tower

5.9.4 The Authority notes GIAL's comments regarding the cost considered for the ATC Tower. In this regard, the Authority notes that the Airport operator has not submitted any document or justification for such capital expenditure to ensure transparency and fairness in project assessments. Therefore, due to the absence of necessary documents the Authority decides to continue with its decision as taken at the Consultation Stage.

Further, the Independent Consultant appointed by the Authority viz. M/s KITCO has evaluated the costs incurred in line with CPWD (Government of India guidelines) and the additional impact relating to glazing costs, additional steel, thickness of glass etc. also have been factored in the workings considering the submissions made by GIAL. The cost of the ATC Technical Block which is a normal building as compared to Terminal Building and ATC Tower was found to be much higher than the cost of Terminal building and has accordingly been rationalised at the Consultation Stage.

Further, the Authority notes that GIAL has, in one of the counter comments to the comment made by FIA (refer para 5.8.1) mentioned that *"The Independent Consultant M/s KITCO appointed by the Authority has performed an in-depth analysis."* While on one hand GIAL has responded to a comment of FIA by affirming that M/s KITCO has carried out its analysis with proper reasoning, the marginal rationalization made by M/s KITCO are being questioned by GIAL.

Non-consideration of additional overheads

5.9.5 The Authority notes GIAL's submission regarding non-consideration of additional overhead charges (refer para 5.7.5). Report of Independent Consultant M/s KITCO states the reason as *"Not admitted as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources included related cost not applicable".*

While GIAL has provided certain details of expenditure incurred under this head, no supportive documentation has been provided to corroborate the actual costs incurred in this regard. In view of the above, the Authority decides not to consider the submission made by GIAL with respect to Additional Overheads.

General Capital Expenditure

5.9.6 The Authority notes GIAL's request and decides to true up General Capex if necessary due to safety, security and other regulatory aspect, based on actual incurrence subject to necessity, efficiency and reasonableness assessment at the time of tariff determination for the next Control Period.

The Authority notes AAI's comments regarding estimate of General Capex and GIAL's submission on the same. The Authority notes that comments on tariff determination of AAI airports are to be dealt with in their respective tariff determination process and are not part of the current evaluation of MYTP for Manohar International Airport, Mopa, Goa.

Also, the treatment of General Capex estimates is based on evaluation of specific issues, facts and circumstances provided by GIAL and evaluated by the Authority. The Authority notes that AAI in their submission has not requested for the same, generally. AERA in the past, has allowed unplanned Capital Expenditure (General Capex) in the case of various airports of AAI from time to time based on the justified necessity if the capital expenditure is related to the safety, security and other operational aspects at the time of true up.

Comments on evaluation of Capital costs

5.9.7 The Authority notes FIA's comments regarding the need to consider Capital Expenditure at Normative rates and the reasoning and response provided by GIAL therein. The Authority, as per the AERA Act, 2008 and AERA Guidelines, 2011 is required to evaluate the reasonableness of costs with Normative benchmark as a guideline. The Authority, through its Independent Consultant, has carried out a thorough review of the Capital Expenditure projects – both incurred and to be incurred in the current control period. The Authority notes that FIA has commended AERA (refer para 5.7.10) for having engaged an Independent Consultant for evaluation of costs. The Authority also notes that all Capital Expenditure is reviewed by Engineers India Limited, the Independent Engineer engaged for the Project and are also approved by GoG. These costs have also been reviewed by the consultant appointed by AERA for evaluation of MYTP. A detailed report has been submitted by M/s KITCO and the recommendation on the same has been considered by the Authority in its analysis. The report provides a detailed rationale for acceptance of the costs incurred and for making changes / adjustment in the relevant areas.

The Authority also notes FIA's comments on the need to ensure that non-essential capital expenditure be put on hold. As part of its evaluation, the Authority generally carries out an assessment of the need for incurrence of the expenditure and rationalizes non-essential Capital expenditure as part of its analysis. The same has been carried out in GIAL also. Further, the Authority has rationalized and allowed only Rs. 50 crores towards General Capex considering safety/ security reasons, from the estimate of Rs. 125 crores proposed by GIAL.

Contracted cost of Capital Expenditure

5.9.8 The Authority notes the comments submitted by GIAL with respect to the need to consider the contracted cost of Capital Expenditure. The Authority also notes GIAL's submission on having carried out a fair and transparent process for procurement in line with the principles laid out in the Concession Agreement. The Authority also notes that FIA has commented on the need for ensuring efficiency in spends and not to allow unnecessary Capital Expenditure (refer para 5.7.11). The Authority has to strike a balance and ensure that the costs incurred by the Airport Operator are efficient and reasonable.

While it is important to adhere to the principles laid down in CA, the same does not preclude the necessity for regulatory bodies like AERA to assess reasonableness of costs using Normative benchmarks, which are established to safeguard public interests. It is essential to note that normative approaches, as employed by AERA, serve as benchmarks that help to establish a standardized and objective evaluation of costs along with inflationary impact across all the capital projects. It is crucial to emphasize that Normative benchmarks are applied industry-wide to ensure consistency. It is not meant to undermine the competitive bidding process but rather to provide an additional layer of overnight.

During the current control period, GIAL has incurred / proposed to incur a total of approx. Rs. 4,000 crores as Capital Expenditure outlay for various projects. It is the responsibility of the Authority, in line with the provisions of the AERA Act, 2008 and as prescribed by ICAO principles, to ensure that the investments are made in a cost-efficient manner. In order to carry out a detailed evaluation of Capital Expenditure incurred / proposed to be incurred by GIAL, the Authority has engaged an Independent Consultant M/s KITCO, who have carefully evaluated the costs incurred by GIAL and recommended certain rationalizations which have all been well reasoned out. Engagement of Independent consultant by AERA has been appreciated by other key stakeholders.

The Authority has considered all the costs contracted by GIAL, Mopa, Goa in the analysis carried out by the Independent Consultant M/s KITCO. In case of Phase-I, costs as determined based on Tendering was very well considered by the Authority through its Independent Consultants, M/s KITCO and M/s PKF.

The Authority notes that the EPC cost had increased due to various factors (including stoppage of works due to NGT/ Hon'ble Supreme Court intervention etc.,) which the Authority has taken into account, based on the submissions and justification provided by GIAL, Mopa, Goa noting that the same was recommended and approved by the Independent Engineer, M/s EIL and Government of Goa. The Authority also notes that Normative cost adopted by the Authority serves as a benchmark to compare and ensure that the Capital Expenditure costs are not gold plated.

Thus, the Authority believes that applying Normative benchmarks is a necessary step in ensuring consistency and reasonableness in capital cost assessments. The Authority notes that Capital Expenditure proposed to be incurred in Phase-II and Phase-III will be reviewed at the time of true up during the tariff determination of next control period, based on evaluation of efficiency and reasonableness of costs incurred.

Financing allowance computation

5.9.9 The Authority notes GIAL's comments relating to the correction required in Financing allowance for FY 2022-23. The Authority had considered a reduction in various items of Capital Expenditure as detailed at the Consultation Stage (Refer Table 72) and accordingly the Capital Expenditure was also adjusted by a proportionate value of such reduction (Rs. 1,273 crores of spend in FY 2022-23 was reduced by Rs. 229 crores and accordingly Rs. 1,044 crores was considered at Consultation Stage).

The Authority has reviewed the computations and has tabulated the summary of adjustments made to costs as given below:

Table 85: Adjustments made to Capital Expenditure by the Authority for the First Control Period

(Rs. in crores)

Particulars	Phase-I	Other phases	Amount
Adjustments to Hard Cost (Table 63– S No A)	135.78	51.14	186.92
Adjustments to Soft Cost (Table 63 – S No B)	8.98	43.16	52.15
Further Adjustments made by the Authority (Table 72 S.No D.1 to D.3)	0.05	4.25	4.30
Total	**144.81**	**98.55**	**243.37**

Based on the above analysis, the Authority decides appropriate adjustments made to Phase-I (Rs. 144.81) crores in the Capital Expenditure spend instead of Rs. 229 crores as computed at Consultation Stage. Accordingly, the Authority has decided to consider Financing Allowance as computed below:

Table 86: Financing Allowance decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Rate of Interest (A)	10.25%	10.25%	10.64%	10.81%	10.75%	10.73%	10.69%	9.00%	
Opening WIP (B)	-	13.01	27.80	167.88	346.28	695.52	1,621.58	224.37	

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Capital Expenditure (C)	12.61	16.10	132.47	152.21	296.84	808.67	1,127.85	372.49	2,919.24
Capital Receipts (D)	-	-	-	-	-	-	-		
Commissioned Assets (E)	0.23	3.30	2.28	0.18	0.74	0.59	2,618.74	606.52	3,232.58
Financing Allowance*	**0.63**	**1.99**	**9.89**	**26.37**	**53.14**	**117.98**	**93.68**	**9.66**	**313.34**
Closing WIP **	**13.01**	**27.80**	**167.88**	**346.28**	**695.52**	**1,621.58**	**224.37**	-	-

**Financing allowance = (B+(C-E)/2)*A*

***Closing WIP = B+C+D-E+F*

Note: 1. The above re-computation of Financing Allowance has resulted in an increase of the same by Rs. 6.79 crores from Consultation Stage.

2. Financing allowance will be trued up based on the actual Capitalisation and cost of debt as discussed in para 6.5.5.

Return on DSRA

5.9.10 The Authority notes the comments of GIAL, APAO and LIAL on DSRA. DSRA is considered as a mitigating factor for lenders from financing risks; this does not constitute a capital expenditure associated with the airport's construction nor is a part of its operating expenditure. It serves as a contingency reserve to ensure debt payments in the event of cash flow disruptions. Also, consideration of interest income from the DSRA does not alter the nature or purpose of the DSRA. Also, the Authority's evaluation of the Aggregate Revenue Requirement is based on the principles and methodology laid down AERA Guidelines. (refer para 2.1)

After careful consideration, based on the above factors, the Authority decides to not consider GIAL's request to include the Debt Service Reserve Account (DSRA) as part of the capital cost for GIAL or to provide additional returns for DSRA.

Asset allocation

5.9.11 The Authority has examined GIAL's comments with respect to the Terminal Building ratio. The Authority has also noted the comments made by FIA with respect to Terminal Building Ratio and GIAL's response. The Authority notes that the area of terminal building is planned considering the estimated passenger capacity within which areas for Aeronautical and Non-Aeronautical services are identified and demarcated. The Authority also refers to IMG recommendations as a reference and considers that at minimum, 10% area has to be available for non-aeronautical services which will generate additional revenues to the Airport and cross subsidize the Aeronautical charges.

The Authority decides the Terminal building Ratio as 90:10 (Aeronautical: Non-Aeronautical) in line with the IMG recommendations and IATA norms and as followed in other airports like Ahmedabad, Lucknow etc. Moreover, the Authority notes that in the initial years, the traffic will be less than the capacity planned, allowing for flexibility to dedicate a higher area for Non-Aeronautical activities.

5.9.12 The Authority has noted GIAL's comment on allocation of land development costs. The Authority's views on the same are detailed in para 3.2.17.

5.9.13 The Authority notes GIAL's comment on classification of City side development as Non-airport activity. The Authority has updated the classification as "Non-Airport" noting that, even in Consultation Stage, the same was not considered as part of computation of any Non-Aeronautical Revenue etc. The Authority notes that, as per the provisions of the Concession Agreement (Clause 3.6.2), any development on the city side will be outside the purview of AERA.

GST Input Credit

5.9.14 The Authority has reviewed FIA's comment and counter comment of GIAL on GST input credit. The Authority has detailed its analysis at Consultation Stage including the legal position prevailing on the GST matter which is pending before the Hon'ble Supreme Court (Refer Para 5.3.27).

The Authority has noted the detailed response provided by GIAL, and in order to balance the interest of stakeholders, the Authority had proposed at Consultation Stage (Refer Para 5.3.28) that the GST capitalized in Financial Statements in FY 2022-23 which has been audited by the Statutory Auditors will be considered as part of RAB, while noting that this will be adjusted, if a favorable order is received on the same by GIAL, giving effect to the same from the period in which the same is capitalized. This treatment provides a balanced approach to the matter and its treatment for the purpose of tariff determination.

The Authority requires GIAL to submit the detailed progress on the litigation on GST Input Tax credits pending with Hon'ble Supreme Court and the manner of accounting carried out while submitting the MYTP for the next control period, which will be reviewed by the Authority in detail and considered at the time of true up of the current control period tariff.

Useful life of assets

5.9.15 The Authority notes FIA's comments on useful lives of assets including references to certain international practices around the same and GIAL's response to FIA's comments. AERA Order No. 35/2017-18 dated 12th January 2018 details the useful lives that can be considered for Terminal Buildings, which is detailed as 30/ 60 years and accordingly GIAL's consideration of life of Terminal Building is in line with the same. Further it is to be noticed that the primary period of the Concession is 40 years and the provisions of extension of the Concession Agreement have not become effective.

Pre-Operative expenses

5.9.16 The Authority has reviewed the comments submitted by FIA with respect to pre-operative expenses as part of RAB and GIAL's response to the same. AERA has commissioned an Independent Study to review the need and efficiency of spending of Capital Expenditure. Accordingly, all elements of Capital Expenditure have been reviewed in detail by the Independent Consultant M/s KITCO including the Pre-Operative Expenses. Wherever these were considered not efficient, appropriate rationalization has been done for the same.

The Authority also notes that Financial Statements of FY 2022-23 include Auditor's report which affirms compliance to appropriate accounting framework and the Authority has taken cognizance of the same.

Normative cost and Capital Expenditure considered at other Airports

5.9.17 The Authority has reviewed the submissions made by AAI with respect to application of Normative Cost for Capital Expenditure estimates and GIAL's response on the same. The Authority notes that AAI has referred instances of tariff determination done for other AAI airports and its comments on the same in comparison to the costs considered for GIAL. The Authority applies the benchmarks together with estimated inflation rates as applicable at the time of review of the respective MYTP. Comments on tariff determination of the AAI airports referred herein are to be dealt with in their respective tariff determination process and are not part of the current evaluation of MYTP for Manohar International Airport, Mopa Goa. The Authority also notes that generally, the soft cost estimates submitted by AAI have been reviewed and approved by AERA.

The Authority notes AAI's comments on considering the normative benchmark with different base years i.e., 2015-16 and 2016-17 in the earlier Orders issued by AERA. In case of different treatments considered in the past, the Authority proposes to align the approach to considering the base cost as on 1st of April 2016, as has been included in Appendix to Order No 7/ 2016-17 dated 6th June 2016 which states that *"The Authority has considered the above benchmark cost as prudent and "value for money" cost as of April 2016..."*. Also, the Authority notes that actual costs incurred will be reviewed as appropriate and trued up subject to evaluation of the reasonableness and efficiency at the time of tariff determination of the next control period.

5.9.18 With reference to GST issue in Order issued for Ahmedabad, the Authority notes that the same has been considered correctly in the Tariff Order as included in Para 7.12.18 of Order No. 40/2022-23 dated 18th January 2023, reference of which is included below.

"With regard to the normative cost for terminal buildings, the Authority notes that the WPI inflation rate in FY 2022 was abnormally high (12.97%). The Authority is of the view that, considering this high inflation rate on actual basis for inflation adjustment of normative cost would not reflect the true change in the cost for construction of terminal building. Hence, the Authority revised the inflation adjusted normative costs for construction of terminal building in FY 2022 considering a base cost of INR 1,00,000 per SQM for FY 2021 (Refer table 95) and a rate of 7.14% (average of WPI inflation in FY 2021 and FY 2022). Accordingly, the inflation adjusted normative cost for construction of terminal building in FY 2022 was determined to be INR 1,07,140 per SQM (excluding adjustment for GST). Further, the Authority notes that when the normative costs were determined vide AERA Order No. 7/2016-17 dated 13th June 2016, the prevalent taxes of 12% were included in the normative costs. Therefore, the Authority is of the considered view that only 6% additional provision needs to be made to account for the impact of GST as against 18% considered during the Consultation stage. After adjusting for the impact of GST, the normative costs for terminal building works out to be INR 1,13,568 per SQM in FY 2022.

Similarly, the Authority recomputed the inflation adjusted normative costs for construction of runways/taxiways/apron in FY 2022 and determined the same to be INR 6,004 per SQM (including 6% adjustment for impact of GST). The base cost was considered as INR 4,700 per SQM as per AERA Order No. 7/2016-17 dated 13th June 2016 and actual WPI inflation rates for the period FY 2016 to FY 2021 were considered."

5.9.19 Based on the changes to Financing allowance, the revised Capital Expenditure considered by the Authority is as below:

Table 87: Revised Capital Expenditure considered by the Authority for the First Control Period

(Rs. in crores)

Particulars	Amount
Capital expenditure at Consultation Stage (Refer Table 73)	3,896.20
Add: Financing Allowance (refer para 5.9.9)	6.79
Capital expenditure at Tariff Order Stage	3,902.99

5.9.20 Based on the above decisions, the revised year wise Capital Expenditure decided by the Authority is as follows:

Table 88: Year Wise Capital Expenditure decided by the Authority

(Rs. in crores)

Particulars	FY23*	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
Building	762.23	321.94	-	256.21	-	-	**1,340.38**	**578.15**
Roads	173.20	57.33	-	-	-	-	**230.53**	**57.33**
Runway	506.25	221.94	-	23.37	-	-	**751.57**	**245.31**
Plant & Machinery	301.12	140.63	-	150.66	-	-	**592.41**	**291.29**
Apron	78.96	38.96	-	5.51	-	-	**123.43**	**44.47**
Furniture & Fixtures-other than trolley	10.09	4.80	-	5.39	-	-	**20.28**	**10.19**
General Capex	-	10.00	10.00	10.00	10.00	10.00	**50.00**	**50.00**
Land Development	794.40	-	-	-	-	-	**794.40**	-
Total	**2,626.25**	**795.60**	**10.00**	**451.14**	**10.00**	**10.00**	**3,902.99**	**1,276.74**

** FY 2022-23 capital additions presented in the table is considered in Chapter 3 – Tariff for period from COD to 31st March 2023.*

5.9.21 Based on the asset allocation ratios considered at the Consultation Stage the Aeronautical Additions as decided by the Authority for the First control Period is as follows:

Table 89: Asset category wise Aeronautical additions decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	FY23*	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
Building	707.35	296.81	-	230.59	-	-	**1,234.75**	**527.40**
Roads	173.20	57.33	-	-	-	-	**230.53**	**57.33**
Runway	506.25	221.94	-	23.37	-	-	**751.57**	**245.31**
Plant & Machinery	278.16	129.97	-	139.41	-	-	**547.53**	**269.38**
Apron	78.96	38.96	-	5.51	-	-	**123.43**	**44.47**
Furniture & Fixtures-other than trolley	9.08	4.32	-	4.85	-	-	**18.25**	**9.17**
General Capex	-	9.00	9.00	9.00	9.00	9.00	**45.00**	**45.00**
Land Development (Refer para 5.4.7)	760.20	-	-	-	-	-	**760.20**	-
Total	**2,513.20**	**758.33**	**9.00**	**412.73**	**9.00**	**9.00**	**3,711.26**	**1,198.06**

** FY 2022-23 aeronautical capital additions presented in the table is considered in Chapter 3 – Tariff for period from COD to 31st March 2023.*

5.9.22 Considering the above additions, the Aeronautical depreciation decided to the considered by the Authority is computed as below:

Table 90: Total Aeronautical depreciation decided by the Authority for the First Control Period

(Rs. in crores)

Asset Class	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY23 to FY28)	Total (FY24 to FY28)
Building	7.36	28.50	33.44	37.28	41.12	41.12	**188.80**	**181.45**
Roads	5.41	20.19	23.05	23.05	23.05	23.05	**117.81**	**112.40**
Runway	5.27	20.55	24.25	24.64	25.03	25.03	**124.76**	**119.50**
Plant & Machinery	5.79	22.89	27.22	31.87	36.52	36.52	**160.82**	**155.02**
Apron	0.82	3.28	3.93	4.02	4.11	4.11	**20.26**	**19.44**
F&F other than trolley	0.41	1.61	1.91	2.26	2.61	2.61	**11.40**	**11.00**
General Capex	-	0.27	0.81	1.35	1.89	2.43	**6.75**	**6.75**
Land Development	6.50	20.83	20.83	20.83	20.83	20.83	**110.63**	**104.13**
Total	**31.56**	**118.10**	**135.44**	**145.29**	**155.15**	**155.69**	**741.24**	**709.68**

** FY 2022-23 aeronautical depreciation presented in the table is considered in Chapter 3 – Tariff for period from COD to 31st March 2023.*

Note: Due to the adjustment in the Capital expenditure at the Tariff order stage, depreciation has increased by Rs. 1.31crores from Consultation Stage

5.9.23 Based on the above Aeronautical additions and depreciation, the RAB for the First control period as decided by the Authority is as given below:

Table 91: RAB decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (a)	2,481.64	3,121.87	2,995.43	3,262.86	3,116.71	
Additions to RAB (b)	758.33	9.00	412.73	9.00	9.00	**1,198.06**
Deletions to RAB (c)	-	-	-	-	-	
Depreciation (d)	118.10	135.44	145.29	155.15	155.69	**709.68**
Closing RAB (e) = (a)+(b)-(c)-(d)	**3,121.87**	**2,995.43**	**3,262.86**	**3,116.71**	**2,970.02**	
Average RAB =[(a)+(e)]/2	**2,801.76**	**3,058.65**	**3,129.15**	**3,189.79**	**3,043.37**	

Note: Due to the change in Financing Allowance, (refer para 5.9.9) at the Tariff Order stage, Opening RAB has increased by Rs. 5.21 crores and Additions to RAB of FY 2023-24 Rs. 1.22 crores respectively. Consequently, this has led to an increase in the total depreciation for the First Control Period by Rs. 1.31 crores and the Average RAB estimates have been updated accordingly.

5.10 Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

Based on the materials before it and its analysis, the Authority decides the following with regard to Capital Expenditure, Depreciation, and RAB for the First Control Period

5.10.1 To consider the Terminal Building Ratio (TBLR) of 90:10 as mentioned in para 5.4.6 and in line with IMG norms and as approved for other similar Airports.

5.10.2 To allow financing allowance during the First Control Period as detailed in Table 86.

5.10.3 To adopt the Capital Expenditure for the First Control Period in accordance with Table 88.

5.10.4 To adopt the aeronautical additions for the First Control Period in accordance with Table 89.

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5.10.5 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the next Control Period (as detailed in para 5.3.29 and para 5.9.14).

5.10.6 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, as mentioned in para 5.3.35. The same will be examined during the true up of the First Control Period, at the time of determination of tariff for the next Control Period.

5.10.7 To true up the Aeronautical Capital Expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Next Control Period.

5.10.8 To adopt Aeronautical Depreciations as per Table 90 for the First Control Period.

5.10.9 To true up the Depreciation of the First Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Next Control Period.

5.10.10 To consider average RAB for the First Control Period for Manohar International Airport, Mopa, Goa as per Table 91.

5.10.11 To true up the RAB based on actuals at the time of tariff determination for the Next Control period.

6 FAIR RATE OF RETURN FOR THE FIRST CONTROL PERIOD

6.1 GIAL's submission regarding Fair Rate of Return for the First Control Period

Cost of Equity

6.1.1 GIAL, Mopa, Goa had engaged the services of CRISIL to carry out a study on applicable Cost of equity. Based on this study, the Airport Operator has considered the Cost of equity range as between 20.92% to 24.04%.

6.1.2 GIAL, Mopa, Goa submitted the following assumptions for estimating the Cost of equity:

- The risk-free rate which is the 10-year average yield for 10-year government securities comes out to be 7.42%.
- The market return is 16.82% which is calculated using the 40 years data of Bombay Stock Exchange (BSE) Sensex, Geometric Mean method and adding Dividend Yield based on longest available data on BSE Sensex.
- The debt/equity ratio is taken to be at 1.38, as per the pre-defined debt-equity makeup.
- A range of beta is taken, with 5-year beta average for developed and developing countries. This is then inflated to account for elevated risks associated with GIAL, Mopa, Goa.
- Additional CoE Alpha had been considered to factor the risks associated with Greenfield Airports in Multiple Airport System.

6.1.3 GIAL, Mopa, Goa had submitted the following from CRISIL report relating to the risk profile of GIAL, Mopa, Goa:

Greenfield projects are inherently riskier, due to factors like delays in construction/project execution, subdued traffic as against projections, regulatory changes, inadequate liquidity, among others. These risks might result in delays or in substantial variations in cashflow as against the projections. Consequently, there is a view to account for these additional risks in the cost of equity calculations, by using a factor to appropriately allocate these risks.

The operational environment of GIAL, Mopa, Goa, and the greenfield nature of the project, makes the project riskier than the assets considered for beta calculation. Due to this, we project a higher level of systemic risk associated with GIAL, Mopa, Goa. Among these, the presence of a fully operational Goa International Airport in high proximity of the greenfield airport will ensure higher uncertainty in cashflows and revenue. The same have been highlighted in the cashflow projections. However, due to the elevated risks for GIAL, Mopa, Goa there is a strong case for adjustment of cost of equity for greenfield projects, due to the riskier nature of the asset. We recommend introducing these changes through inflating the beta used for cost of equity calculations, to reflect higher systemic risks.

While the concept of a peer group is a dominant way of determining the beta for unlisted companies, the airports considered under the category of both developed and developing country are operational for more than 10 -20 years and will not capture the risks associated to greenfield development. Hence, considering a range of beta over various time horizons and capturing the maximum value and its deviation will help in capturing the maximum risk profile.

Several airport assets were considered for the most appropriate risk representation for the GIAL, Mopa, Goa. Consequently, Heathrow Airports Limited (HAL) showed an elevated risk level similar to those *shown by the GIAL, Mopa, Goa. Heathrow airport, situated in London, is among five others in the city. This results in high risks to the revenues of the airport, similar to those faced by GIAL, Mopa, Goa due to the presence of an operational international airport in Goa in close proximity to the GIAL, Mopa, Goa. Consequently, we have approached beta inflation in a similar way as used by the HAL.*

Since all the risks related to the development of this airport is subsumed in beta, to arrive at a reasonable beta, we see the entire available asset beta range, i.e., average beta values calculated from daily beta for a period of 1, 2, and 5 years, for both, developed and developing countries. The risks to GIAL, Mopa, Goa are higher than the comparator assets considered for beta calculation.

This deviation is used to inflate the unlevered beta. Further, this modified asset beta is then re-levered to arrive at the equity beta. Using the risk-free rate and market premium calculated earlier, we arrive at the modified cost of equity. This new cost of equity contains the additional risks to the GIAL, Mopa, Goa, which can be decomposed into an 'alpha factor'. The difference between the modified cost of equity and initial cost of equity will give us the alpha factor for cost of equity calculation. Additionally, we further provide a range of this alpha factor, by using initial asset beta of (i) developed and developing countries; and (ii) only developing countries.

6.1.4 Based on the above, the Cost of Equity computed by CRISIL is as detailed below.

Table 92: Cost of equity computation as per GIAL, Mopa, Goa's submission

Parameter	Value
Risk-Free Rate	7.42%
Total Market Return	16.82%
Debt-Equity ratio	1.38
Equity Beta	1.44
Initial Cost of Equity	19.49%
Modified Cost of Equity	20.92%
Additional CoE Alpha	1.42%

Cost of Debt

6.1.5 GIAL, Mopa, Goa had submitted that it had planned a Rupee Term Loan of Rs. 2,227 crores for the first phase of the project totaling to Rs. 3,603 crores of funding resulting in a Debt: Equity ratio of 62:38.

6.1.6 GIAL, Mopa, Goa had submitted that in order to fund the project cost of Phase-I, GIAL, Mopa, Goa had tied up loan with consortium of banks with Axis Bank as the lead bank. The facility has been taken for 18 years which includes construction period of 3 years, 1 year moratorium and 14 years of repayment. As per the facility agreement, GIAL, Mopa, Goa shall repay 80% of Facility in 55 structured quarterly instalments commencing from quarter ending 30th September 2023 with last instalment due on 31st March 2037. The remaining 20% of the Facility shall be due as a bullet instalment on 30th June 2037. The rate of interest shall be the sum of Axis Bank 1-Year Marginal Cost of Funds based Lending Rate (MCLR) and Spread per annum plus applicable taxes and other statutory levy, if any. GIAL, Mopa, Goa had submitted that as on date of submission, the A-MCLR is 8.45% and the spread is 2%.

6.1.7 Based on the above, GIAL, Mopa, Goa had considered the cost of debt facility of 10.45% as the cost of debt for the control period.

Weighted Average Cost of Capital

6.1.8 Based on the above Cost of Debt, Cost of Equity and normative gearing ratio of 48:52, the Weighted Average Cost of Capital had been computed by GIAL, Mopa, Goa as below.

Table 93: Weighted average cost of capital computation submitted by GIAL, Mopa, Goa for FRoR

Parameter	Value
Cost of Equity	20.92%
Cost of Debt	10.45%
Weighted Average Gearing of Equity	52.00%
Weighted Average Gearing of Debt	48.00%
Weighted Average Cost of Capital	15.89%

6.2 Authority's examinations regarding Fair Rate of Return for the First Control Period at Consultation Stage

Cost of Equity

6.2.1 The Authority had commissioned independent studies for the evaluation of cost of capital separately in case of PPP Airports, namely DIAL, MIAL, HIAL, BIAL and Cochin International Airport Limited (CIAL) through a premier institute, namely Indian Institute of Management (IIM) Bangalore and proposed to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of GIAL, Mopa, Goa for the First Control Period.

6.2.2 The independent study reports had been drawn from the international experience of airports and their conclusions had been evaluated to the extent comparable with Manohar International Airport, Mopa, Goa in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The average Cost of equity arrived at by the independent study reports is 15.18%.

6.2.3 The above independent study reports had used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of equity.

6.2.4 Based on the above reports, the Authority proposed the Cost of equity of 15.18% for GIAL, Mopa, Goa for the First Control Period.

6.2.5 The Authority had noted GIAL, Mopa, Goa's submission that *"One of the important aspect covered by CRISIL is the risk associated with Greenfield projects in multiple airport system. As per CRISIL the Greenfield Airport had inherent risk related to construction period, liquidity, project execution and traffic. Accordingly, there has to be some additional factor which needs to be factored in while arriving betas for such greenfield airports. The risk in case of Mopa, Airport further multiplies due to competition with existing airport. CRISIL has analyzed these scenarios and considered an alpha factor for such associated risk"*

6.2.6 The Authority noted CRISIL report based on which GIAL, Mopa, Goa has stressed on certain key factors specific to Greenfield Airports which include delays in construction/ project execution, subdued traffic, regulatory changes, liquidity etc.

- The Authority noted that risks of construction/ project execution could arise in other situations also, not necessarily due to multiple airports being located in the nearby vicinity. Also, the Authority provides for Financing allowance on the work in progress assets for Greenfield airports, mitigating the risk of funds being locked up.
- The Authority noted that traffic projections submitted by GIAL, Mopa, Goa in itself estimates additional traffic for Goa as a whole, instead of a linear growth in traffic. Based on the same and considering the positional advantage of Manohar International Airport, Mopa, Goa, the Authority perceived that inherent risk of subdued traffic, if any is minimum and transitional.
- As for the risks of regulatory changes, liquidity etc., these are factors that could impact any infrastructure development in general.

6.2.7 Hence, the Authority was not convinced that any specific risks that may arise due to two airports being present in the nearby vicinity could impact the Cost of Equity, considering the current Regulatory and other environment. Accordingly, the Authority proposed to consider Cost of Equity at 15.18% as detailed in para 6.2.2.

6.2.8 The Authority noted the risk factors enumerated by GIAL, Mopa, Goa. However, the Authority noted that Airport Operators in India had certain inherent advantages and protections built into the tariff determination process that is being followed together with support being received from various Governments and Government agencies:

- There is a well-documented and publicly notified regulatory regime for tariff determination. Proceedings of tariff determination are conducted in a transparent and consultative manner, in compliance with AERA Act and other relevant guidelines.
- The tariff determination methodology incorporates adequate returns on the Investment made by the Airport Operator together with reimbursement of reasonable O&M expenses incurred for the management of airport.
- The current tariff determination methodology also ensures truing up of certain building blocks based on efficiency and reasonableness of the same.
- The Government of India, through the Ministry of Civil Aviation and various regulatory agencies, provides adequate support and guidance on all operational, safety, airline, connectivity and stakeholder related matters.
- The relevant State Governments help the Airport Operators by the way of allotment of land on concessional rates in many of the cases, together with providing an improved connectivity from the city to the airports with enhanced road/ rail infrastructure etc.

Cost of Debt

6.2.9 The Authority noted that the Airport Operator has considered Cost of debt at 10.45% for the First Control Period based on its rate of borrowing at MCLR + 2% spread.

6.2.10 The Authority noted that the cost of debt of the Airport, in the past years, had ranged from 10.25% to 10.81% in the years from FY 2017-18 to FY 2021-22, as per the certificates provided by the auditors of GIAL, Mopa, Goa. The cost of debt for FY 2022-23 had reduced from the previous years (10.81% to 10.69%) and was at 10.42%. In FY 2022-23 the Company had taken Inter Corporate Loans, loans from NBFCs in addition to raising convertible and non-convertible debentures from its group company.

6.2.11 The Authority recommends that the Airport shall bring in further efficiencies in its cost of borrowing in order to reduce the interest rates. This suggestion is also in keeping with the spirit of PPP whereby it is expected that the financial strength of PPP airports is maintained at an optimal level and their cost of capital is within reasonably allowable limits. GIAL, Mopa, Goa should avail the synergies and benefits owed to it by its strong shareholding and balance sheet of its Parent companies and therefore work towards bringing down the cost of debt to the same levels as other PPP airports.

6.2.12 The Authority believes that PPP airports had scope of bringing in better efficiencies in financial and operational management of an airport which would reflect in its overall cost of operations and lower FRoR.

6.2.13 Further the Authority also noted that the Weighted Average Lending Rate (WALR) of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of December 2022 had been in the range of 8.92% to 9.52% p.a. The Authority had also noted that the average cost of debt of other five PPP airports viz., DIAL, MIAL, HIAL, BIAL and CIAL is 8.96%. Also, the rates of loan provided by Axis Bank range between 6.85% and 10.00% as per the information published by RBI for the period March 2023.

6.2.14 The Authority noted that the airport had already become operational with Commercial operations from 5th January 2023 which would provide comfort to the lenders on its operational capabilities, ability of repayment etc. which could also bring down the interest rates. With traffic flowing into the airport and revenues earned from Aeronautical and Non-Aeronautical sources yielding benefits, the debt profile of Manohar International Airport, Mopa, Goa was bound to improve and inherent financial risk as reflected in the Cost of Debt will reduce to the levels of other PPP airports.

6.2.15 Accordingly, the Authority proposed to consider the Cost of Debt of 9% for the computation of Fair Rate of Return.

Fair Rate of Return

6.2.16 Based on the above, the Authority proposed to consider the following FRoR for the First Control Period for GIAL, Mopa, Goa.

Table 94: Fair Rate of Return proposed by the Authority for the First Control Period at Consultation Stage

Parameter	Value
Cost of Equity (para 6.2.4)	15.18%
Cost of Debt (para 6.2.15)	9.00%
Weighted Average Gearing of Equity	52.00%
Weighted Average Gearing of Debt	48.00%
Weighted Average Cost of Capital	12.21%

6.3 Stakeholders' comments regarding Fair Rate of Return (FRoR) for the First Control Period

GIAL's comments regarding Fair Rate of Return (FroR) for the First Control Period:

6.3.1 GIAL's comments regarding cost of equity are as follows:

AERA considered the cost of equity of GGIAL as average of cost of equity of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation *guidelines which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit.*

A. GGIAL's response on use of benchmarks

AERA has mentioned about the study conducted by Indian Institute of Management (IIM) Bangalore for determination of cost of equity. AERA has mentioned that it proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of GGIAL, Mopa, Goa for the First Control Period.

There are two reasons this cost of equity is not considered as applicable and relevant in this case by GGIAL:

1) *Greenfield Airport – GGIAL is a greenfield airport in its 1st Control Period Due to this reason, there is no established traffic number that is available in the case of GGIAL. AERA has mentioned regarding the traffic projections submitted by GGIAL, Mopa, Goa which estimates additional traffic for Goa as a whole, instead of a linear growth in traffic. It is to be mentioned that these numbers are just estimates at this stage. Hence it is noteworthy to mention that as this order will be valid for 5 years, any recovery from low traffic at this stage will have huge implications on the cash flow of the company. This can have a high impact on efficient airport operations. The airports mentioned above, i.e., DIAL, MIAL, HIAL, BIAL and Cochin International Airport Limited all have established traffic numbers which is not true in the case of GGIAL. Hence the study which is based on DIAL, MIAL, HIAL, BIAL and CIAL may not be applicable for GGIAL.*
2) *Competitive environment – Goa has another airport, i.e., Dabolim airport in close vicinity to GGIAL. This is unprecedented in case of the Indian scenario. While GGIAL has prepared projections for traffic distribution between GGIAL and Dabolim, in the current scenario these are just estimates. We reiterate the point above that any under-recovery from low traffic at this stage will have huge implications on the cash flow of the company. This can have a high impact on efficient airport operations. The airports mentioned above, i.e., DIAL, MIAL, HIAL, BIAL and Cochin International Airport Limited do not work in a competitive environment. Hence the study, which is based on DIAL, MIAL, HIAL, BIAL and CIAL may not be considering the risk of the competitive environment which GGIAL is experiencing. GGIAL has submitted the calculation of the cost of equity validated by an independent consultant which is M/s CRISIL which is a reputed firm and has vast experience in the area.*

We request the Authority to consider an appropriate return on equity for GGIAL considering the above factors and allow cost of equity as submitted with the MYTP.

B. GGIAL's response on Authority's reasoning

The Authority has talked about the below risk mitigation factors for Mopa:

1) *Risks of construction/ project execution arises in other situations also, not necessarily due to multiple airports being located in the nearby vicinity. The Authority has also talked about providing a financing allowance to mitigate the risk of funds being locked up.*
2) *The Authority also mentions that traffic projections submitted by GGIAL, Mopa, Goa in itself estimate additional traffic for Goa as a whole, instead of a linear growth in traffic. The Authority also talks about the positional advantage of Mopa.*
3) *The Authority also mentions that regulatory changes, liquidity etc. affect any infrastructure development.*

The financing allowance only helps mitigate the cost on the equity invested, however, in a greenfield PPP project, construction risk is a part of the larger gamut of risks that a project usually presents. One of the *biggest risks in a project is the traffic risk, for which the Authority has mentioned that traffic projections submitted by GGIAL, Mopa, Goa in itself estimate additional traffic for Goa as a whole, instead of a linear growth in traffic. We would like to submit that the studies conducted at this stage are estimates, and there is no past traffic data that can be referred to in the case of Mopa which inherently makes the project significantly riskier. Another major factor that has not been acknowledged by AERA is the competition factor in a dual airport environment, which is a unique situation in the Indian context. Both of these are unique uncertainty factors in the project which warrant the use of a higher systematic beta. It has been mentioned by the Authority that there is a mechanism of true up of building blocks. We would like to highlight that true up exercise takes place after an entire Control Period. Any under-recovery of revenue in the current Control Period can result in substantial cashflow variations, which will affect the smooth working of airport operations.*

Further, it may be noticed that the project has undergone serious challenges in the construction phase which takes a toll on the expected business of the airport. Some of the major challenges faced by Goa Project are tabulated below: -

No.	*Challenge*	*Particulars*
1.	*High Court / NGT case on tree felling*	*Due to standing trees across the site, the mobilization of earthwork contractors, major equipment, plants and key staff could not be done fully due to non-availability of working fronts because of stay by HC/NGT.* *The mobilization/ limited work progress happened on piecemeal basis depending on the front availability, thus adversely affecting the construction program in totality.*
2.	*Delay in getting tree cutting from GoG*	*Even though NGT disposed off the case on 21st Aug 2018, the final permission for cutting of trees was accorded to GGIAL by GoG on 1st Oct 2018.*
3.	*Imposition of Status quo & subsequent suspension of EC from SCI*	*No work could be carried out during the status quo order for 1 year.* *Thereafter the suspension of EC required full work and equipment demobilization.*
4.	*Rework of completed works due to damages in the monsoon season during stoppage of works*	*Contractor had executed 3,47,000 Sq.m of Clearing and Grubbing (C&G), 55,000 Cum of earthwork in filling before the suspension of works.* *Due to heavy monsoon during 2019, which recorded ~ 6000 mm of rainfall in the project site, all the earthworks layers which were completed during suspension period were under submergence of water.* *These needed to be reworked post resumption of works.*
5.	*Impact of COVID waves*	*During COVID times, there was a severe shortage of labour at site because of various restrictions imposed by Govt. of India.* *On account of adherence of various COVID protocols, the productivity at site suffered to the extent of 50%.*
6.	*Supply chain issues*	*Various supply chain issues were encountered due to the China Border issue and the Ukraine War.*
7.	*Foreign market entry restrictions*	*Due to pandemic related restrictions imposed by countries, there were restrictions of entry to foreign market for Airline marketing.*

On account of various challenges as mentioned above, the Project was completed after more than 6 years of signing of the Concession Agreement in Nov' 2016.

These issues have been taken into cognizance by CRISIL, a premier consultancy firm, which has provided the below explanation in the "Estimation of Cost of Equity for GGIAL":

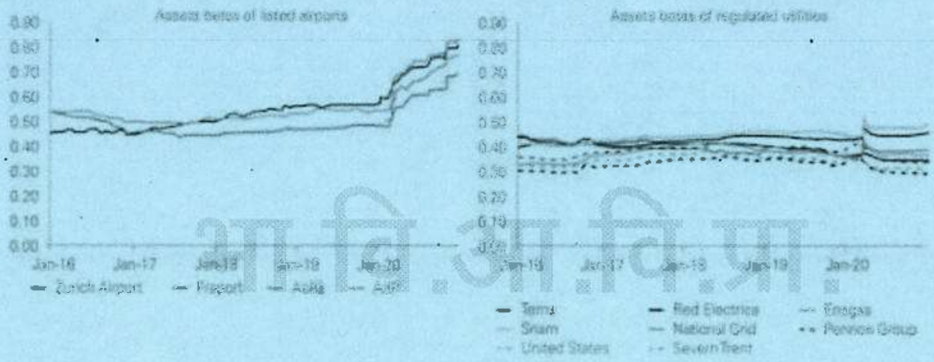
"Greenfield projects are inherently riskier, due to factors like delays in construction/project execution, subdued traffic as against projections, regulatory changes, inadequate liquidity, among others. These risks might result in delays or in substantial variations in cashflow as against the projections. Consequently, there is a view to account for these additional risks in the cost of equity calculations, by using a factor to appropriately allocate these risks.

The operational environment of GGIAL, and the greenfield nature of the project, makes the project riskier than the assets considered for beta calculation. Due to this, we project a higher level of systemic risk associated with GGIAL. The risks to the airport are mentioned in section 3.3.3 in table 7. Among these, the presence of a fully operational Goa International Airport in high proximity of the greenfield airport will ensure higher uncertainty in cashflows and revenue. The same has been highlighted in the cashflow projections. However, due to the elevated risks for GGIAL there is a strong case for adjustment of cost of equity for greenfield projects, due to the riskier nature of the asset. We recommend introducing these changes through inflating the beta used for cost of equity calculations, to reflect higher systemic risks."

C. *<u>Reasoning of Airports Council International</u>*

In the "Policy Brief – Modernizing Global Policy Frameworks on Airport Charges: Ensuring the Efficient Use of Infrastructure for the Benefit of the Travelling Public" published by Airports Council International, it has been discussed that "the COVID 19 pandemic has caused investors to re-evaluate the risk assessment of airports. There remains considerable uncertainty around short-term and long-term impacts of the pandemic on airport businesses regarding the timing and extent of traffic recovery, changes in the structure and composition of travel demand (e.g., slower and possibly permanently reduced business demand), and changes in market structure and general economic conditions. There is evidence that asset betas (a measure of market risk) of listed airport companies are showing a marked increase since the start of the pandemic". This is highlighted in the figure below.

FIGURE 17 Asset Betas of Listed Airports



Source: Adapted from Post-COVID Airport Regulation: A Clear Path? March 2021, Oxera

It has also been mentioned that it is very likely that investors will require higher returns (higher cost of debt, higher equity returns) to mitigate this risk of COVID-19. Hence this assessment also supports the requirement of a higher rate of equity for airport developers.

D. *<u>Cost of equity for other airports</u>*

For MIAL, HIAL, DIAL and BIAL, the cost of equity approved by AERA for the 1st Control Period has been 16%. We would like to highlight that MIAL and DIAL had established traffic numbers as they were brownfield airports. None of the airports were facing a dual airport environment challenge. Cost of equity *proposed for GGIAL for 15.18% is considerably lower compared to these airports which had a significantly lower risk profile compared to GGIAL.*

E. Cost of equity for energy – another regulated infrastructure sector

As per the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, the rate of equity has been allowed as below:

1) *15.50% for thermal generating station, transmission system including communication system and run-of-river hydro generating system*
2) *16.50% for storage type hydro-generating system including pumped hydro generating stations and run of river generating station with pondage.*

There are two points worth noting:

1) *The minimum cost of equity that has been allowed is 15.50%, higher than the 15.18% as proposed by AERA for GGIAL*
2) *For conventional generating system, the cost of equity is 15.50% but for a system which needs a newer technology and is riskier, i.e. storage type hydro-generating system, an increase of 1% on 31 the conventional rate of equity has been allowed. Parallels can be drawn to the GGIAL airport, which is inherently riskier given it is a brownfield airport operating in a competitive environment.*

Extract from the order has been provided below:

COMPUTATION OE ANNUAL FIXED COST

***Return on Equity**: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.*

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of-river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of-river generating station with pondage:

Given the case of GGIAL airport is a special case, as it is a greenfield airport and has competition and other factors as mentioned above, the cost of equity has to be higher as compared to other airports and not the average of such airports. The Cost of Equity report submitted by GGIAL which has been prepared by M/s CRISIL has also advocated for an additional equity return for airports like GGIAL which has been quantified between 1.42% to 1.75% for GGIAL. Further, the report is also specific to GGIAL and should be considered while finalizing the cost of equity for GGIAL.

6.3.2 GIAL's comments regarding cost of debt are as follows:

AERA has considered the cost of debt of GGIAL as average of cost of debt of the other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach is contrary to Clause 5.1.4 (b) of the Terms and Conditions for Determination of Tariff for Airport Operators Guidelines 2011 published by AERA which suggests that the Authority shall consider the forecast for future cost of: (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt.

Airports like DIAL, HIAL, BIAL etc., without any competitive airport in the area of operations, are "A" category rated, while GGIAL is having direct competition with Dabolim which means that there will be pressure on GGIAL ratings as well as Financial Institutions to reduce the risk spread.

AERA has indicated that the airport has already become operational with Commercial operations from 5th January 2023 which would provide comfort to the lenders on its operational capabilities, ability of *repayment etc. which could also bring down the interest rates. GGIAL would like to submit the debt profile of a company that can only improve once it starts getting positive PBT. In the AERA CP calculation, GGIAL is achieving positive PBT only in the year FY28, i.e. the last year of the CP. Hence the debt profile of GGIAL is not expected to change.*

Given above, interest rates are likely to remain in the zone that we submitted with negative bias if traffic shift is slow.

The Rate of Interest is charged based on the Credit Risk Profile and Credit Rating of the Company at the time of sanction. The credit rating of GGIAL is CRISIL BBB- due to exposure to offtake risk because of existing Goa airport and shortfall in meeting debt obligations in initial years of operations.

Another point to note is that GGIAL is raising funds through a Rupee Facility Agreement between GMR Goa International Airport Limited and Axis Bank Limited signed dated 17th November 2021. As per the Rupee Facility Agreement, the Lending Rate is Axis Bank's MCLR + Spread of 2.00%. As per the Annual Reset Communication from Axis Bank, the effective rate of interest for term loans is 10.45%.

Further, we wish to inform you that the Rate of Interest is expected to go up to 11.15% p.a. from the next reset date i.e., 22nd November 2023 considering the current 1Y-MCLR of Axis Bank.

We would like to refer to Order No. 64/2020-21 in the case of Chatrapati Shivaji Maharaj International Airport, Mumbai for 3rd Control Period where AERA accepted the actual cost of debt after receiving a letter from the lender regarding the same. The excerpt regarding this is as below:

"MIAL submitted letter from State Bank of India dated 20th December 2019 which confirmed that on account of downgrade in the external rating of MIAL by India Ratings from A+ to A-, the existing pricing on all the credit facilities had been increased by 0.50% w.e.f. 9th August 2019, effective rate of interest being 10.30% p.a. The Authority proposed to consider effective interest rate of 10.30% as submitted by MIAL along with the relevant supporting for the Third Control Period. The Authority proposed to consider effective interest rate of 10.30% as submitted by MIAL along with the relevant supporting for the Third Control Period."

Hence it is requested that AERA provide GGIAL the actual rate of debt, which is 10.45% for this Control Period. This is based on the current effective rate of interest for the term loans from Axis Bank at rate of 10.45%.

Other Stakeholder's comments regarding Fair Rate of Return (FRoR) for the First Control Period:

6.3.3 APAO's comments regarding cost of equity are as given below:

We would like to submit that AERA considered the cost of equity of Ahmedabad Airport as average of cost of equity of other five PPP airports viz., DIAL, MIAL, HIAL, BIAL and CIAL. We humbly submit that this approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit. We therefore earnestly request the regulator to kindly conduct a specific study for GGIAL airport, as each Airport has a different risk due to various factors that are specific only to that airport (like the catchment area, competition levels, demography of passenger, connectivity issues, number of passengers etc.)

GGIAL being a greenfield airport does not have established traffic numbers and also operates in a highly competitive environment and that too against an incumbent airport operator. In such a scenario, the cost of equity should reflect these inherent risks and hence a higher cost of equity compared to other Indian airports should be considered for GGIAL.

6.3.4 LIAL's comments regarding cost of equity are as follows:

The Authority has considered the cost of equity of GOA, MoPA Airport as average of cost of equity of other five PPP airports viz., DIAL, MIAL, HIAL, BIAL and CIAL. It is to be noted that this approach of the Authority is contrary to the tariff computation guidelines 5.1.3 which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator. The relevant portion of the AERA Guidelines is reproduced hereunder: -

"5.1.3 Cost of Equity Cost of Equity - The Authority shall estimate the cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit."

The Authority under Tariff Order No.7/2017-18 for Cochin Airport's Second Control Period has acknowledged and opined that "one size fits all" approach for calculating Cost of Equity is not appropriate since each airport is unique.

Each Airport has specific risk due to catchment area and demography of passenger etc. Further GOA, MoPA Airport has an additional risk of competition with the existing AAI GOA Airport, which also needs to be factored and cost of equity should be higher, based on specific study for each Airport to be conducted by the Authority.

6.3.5 APAO's comments regarding cost of debt are given below:

AERA considered the cost of debt as average of cost of debt of other five PPP airports viz., DIAL, MIAL, HIAL, BIAL and CIAL. We would like to humbly submit that this approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall consider the forecast for future cost of: (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt. Hence, we submit that the cost of debt should be approved as per actuals.

6.3.6 ASSOCHAM's comments regarding cost of debt are as follows:

AERA considered cost of debt as average of cost of debt of other five PPP airports viz., DIAL, MIAL, HIAL, BIAL, and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall consider the forecast for future cost of (i) debt proposed to be raised during the control period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt.

In view of the above it is suggested that the cost of debt should be taken based on the recently raised debt by the Airport Operator on actuals and non-notional, so that the airport is not put to difficulty in running the show.

6.3.7 LIAL's comments regarding cost of debt are as follows:

In respect to Cost of Debt, the Authority has considered cost of debt of GOA, MoPA Airport, as average of cost of debt of other five PPP airports viz., DIAL, MIAL, HIAL, BIAL and CIAL. This approach of the Authority is contrary to the Tariff computation guidelines 5.1.4 which suggests that the Authority shall consider forecast cost of "existing debt" based on a review of its sources, procedures and the methods used for raising such funds. Further, the Authority shall also consider the nature of all financial instruments being used or proposed to be used to mobilize such funds. For ease of reference, the relevant portions of the AERA Guidelines are reproduced hereunder.

"The Authority shall consider the forecast cost of existing debt, subject to the Authority being assured of the reasonableness of such costs based on a review including of its source(s), procedure(s) and method(s) used for raising such debt.

The Authority shall consider, in respect of the cost of debt, as the case may be, the nature of all financial instruments being used or proposed to be used to mobilize such funds ".

We hereby request the Authority to kindly allow cost of debt based on actuals which is in line with its guidelines.

6.3.8 FIA's comments regarding fair rate of return (FRoR) are as follows:

It is observed that AERA has considered FRoR of 12.21%, with cost of equity at 15.18%, cost of debt at 9%, which is the net of income tax return, calculated on the basis of cost of equity and debt. However, it may be noted, that AERA in the recent times, have approved lower FRoR for AAI airports (Third Control Period), such as Chennai (11.98%) and Pune (11.68%).

Further, it may be noted that as per Para 6.3.2 of the CP, AERA have proposed to consider the notional debt to equity ratio of 48%:52% in line with the target gearing ratio being considered in case of other PPP airports. However, it is pertinent to consider that the proposed debt/equity mix from FY23 to FY25 is in the range of 62:38 and has increased to 48:52 in FY27.

In view of the above, it is submitted that AERA should reconsider equity return of 15.18% due to it being enormously high rate of return.in this regard, AERA may consider:

(a) Independent Equity and FRoR study; (b) the fact that PPP model in airport industry.in India has been established; (c) risk is lower as this is cost plus margin business.; (d) to review the financial closures details, debt to equity ratio based on actual weighted average rather than a notional percentage.

FIA have also carried out a sensitivity analysis to understand the impact of considering the average debt equity ratio proposed by GIAL. Our analysis indicate that it will decrease the PV of target revenue as at 31st March 2024 by INR 33 cores.

Further, it is to be noted, that while such fixed/ assured return favors the service provider/airport operators, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs.

Due to such fixed/ assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.

Without prejudice to the above:

1) *In the present scenario any assured return on investment to any services providers, in excess of six (6) % (including those on past orders) will be onerous for the airlines, i.e., being at par with bank fixed deposits (i.e., return on investment after the income tax), based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks.*
2) *In case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to the Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in the case of certain major airport operators.*

6.4 GIAL's response to stakeholders' comments regarding Fair Rate of Return (FRoR) for the First Control Period

6.4.1 GIAL has responded to FIA's comments regarding Fair Rate of Return, notional gearing ratio as follows:

FIA requested AERA to re-consider equity return of 15.18% due to it being enormously high rate of return or to conduct an independent study for determination of FRoR to be provided to the Airport operator.

In this regard, we would like to mention that Airport business is a unique business with set of challenges which other regulated sectors do not have. Running PPP project and managing multiple set of stakeholders is highly challenging and carries huge risk in terms of meeting the requirements of concession agreements, state and central government requirements and other stakeholder requirements. Further, the Manohar International airport is a unique airport in India where it is in direct competition with Dabolim Airport in the same state.

Further, the FRoR is a derivative of the WACC calculations as provided in the tariff guidelines. The tariff guidelines also provide the methodology to be used to determine the cost of equity. As per para 5.1.3. of AERA (Terms and Conditions for Determination of Tariff for Airport Operators) the CAPM is the model which has to be used to determine the cost of equity for Airports which is reproduced as below"-

"5.1.3. Cost of Equity: The Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit"

In accordance with the tariff guidelines, GGIAL is seeking FRoR of 15.89 % based on cost of equity of 20.92% as determined by the independent study done by CRISIL specific to GGIAL risk profile and cost of debt of 10.45 % as per actuals. However, the Authority has considered its own methodology by taking Average of other PPP to compute Cost of equity & Cost of Debt. Thus, FIA submission has no merit and is purely arbitrary in nature.

6.5 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return (FRoR) for the First Control Period

Cost of Equity

6.5.1 The Authority has carefully examined the comments made by GIAL and other Stakeholders and GIAL's response on the comments of other stakeholders. The Authority notes comments by the key stakeholders that the Cost of Equity provided by AERA needs to be moderated equal to that of return on deposits. On the other hand, GIAL has submitted its comments stating that the Cost of Equity has to be considered higher.

The Authority also notes comments from certain key stakeholders on the Cost of Equity to be provided equal to rate of interest earned on Fixed Deposits. The Cost of Equity is determined by the Authority in the background of ensuring a balanced approach to provide the Airport Operator with reasonable return for its investment and at the same time ensuring that excessive returns are not given which will impact other stakeholders.

The Authority believes that the cost of equity for the purpose of determination of FRoR has to be fairly consistent across PPP airports so that there is uniformity of evaluation of their inherent financial risk, and compensation for the same in the form of return of RAB. Manohar International Airport is comparable to the other PPP airports which have been used as reference point for computation of cost of equity.

Further the Authority expects GIAL to bring in efficiency in its operational and financial management of the concerned airport, in line with the other PPP airports. The Authority is also of the view that the studies sponsored by the respective Airport Operators always have an inherent conflict of interest. Thus, these studies have to be undertaken by an independent and reputed agency. In this context, the study conducted by IIM-Bengaluru engaged by AERA for determining cost of equity for representative airports would be the basis of determining FRoR since the reputation of the organization and its independence vis-a-vis private airport operators is inconvertible.

While the Authority has noted the various risk factors listed out by the Airport Operator, the Authority does not agree with this submission of GIAL. It is also to be noted that the Airport Operators in India have certain inherent advantages and protections built into the tariff determination process and airport management, some of which are highlighted below:

i. The tariff determination methodology incorporates adequate return on airport operator's gross fixed assets investment, as well as O&M expenses and other building blocks in setting tariff.
ii. The tariff determination mechanism also ensures the true up of certain building blocks on actual basis in the tariff determination process.
iii. There is a well-documented, stable, publicly notified regulatory regime for tariff determination and the proceedings are conducted in a transparent manner in compliance with the AERA Act and other relevant guidelines.
iv. The Government of India, through the Ministry of Civil Aviation and various regulatory agencies, provides adequate support and guidance on all operational, safety, airline, connectivity and stakeholder related matters.
v. Similarly, the relevant State Government helps the AO by the way of allotment of land on concessional rates/ free of cost in many of the cases and take responsibility for road/ other mode of connectivity to the airports.

The FRoR has to be computed in a consistent manner taking into account long-term business and financial risk parameters, which are reasonably applicable to the industry as a whole. It would not be appropriate for short-term factors such as COVID-19 pandemic to influence the computation of FRoR.

GIAL has, in its comments, stated that the Authority has commented on the non-linear and high traffic projections made by GIAL for Goa as a whole and for Manohar International Airport. GIAL has submitted that the traffic figures projected for the First Control Period, however, are estimates only. The Authority finds a conflict in the position taken by GIAL in this matter. For Traffic estimations and for planning the nature, sizing and timing of all Capital Expenditure at the Airport, these estimates have been found reasonable and relevant, but now the Airport Operator has reduced its relevance by calling them as just estimates. It is pertinent to note that GIAL, as part of its counter comments on traffic has affirmed that it is expected to meet the estimates submitted for the period from FY 2024-25 onwards. The Authority notes that GIAL has commented about the competitiveness and the uniqueness of 2 airports in the vicinity not being considered by the Authority. The Authority notes that this factor is also linked to its possible impact on the traffic estimates which the Authority has addressed above.

The Authority also notes that GIAL has elaborated about the various challenges that the Project had faced before its commissioning. Authority's framework and principles of tariff determination provide return to Airport Operator once the airport is commissioned and Fair Rate of Return is one component of such ARR computation. The Project stage challenges which occurred in the past before commencement of Airport operations have all been overcome by the Airport Operator and are not directly relevant for determination of FRoR.

Also, reference of Cost of Equity provided by other regulators is not directly co-relatable to the specific scenarios and conditions operating at Airports. In view of the above, the Authority does not see any merit in deviating from its stand taken at the Consultation Stage.

6.5.2 The Authority has noted the comments regarding Cost of Equity by FIA (refer para 6.3.8) and GIAL's response thereon. As per AERA methodology, return on RAB is one of the key building blocks of tariff determination process. As per AERA guidelines, AERA must determine the Fair rate of return (FRoR) for a control period. Any business is viable when it generates an adequate return equivalent to its cost of capital as it helps to repay its obligations and give returns to shareholders commensurate with the risks involved in the project. As per AERA guidelines, FRoR has to be based on the Capital Asset Pricing Model and has no linkage with fixed deposit rates. Linking it to the rate of interest on FD is devoid of any merits. AERA has considered the study conducted on CAPM principles by a reputed agency for other airports and considered an average of the results for considering the Cost of Equity of GIAL.

6.5.3 The Authority has noted FIA's comments regarding FRoR stating that fixed assured return will be onerous for the airlines or favor the airport operator and that any assured return on investment in excess of 6% will create further trouble for the already stressed airline sector, already suffering from the huge losses. The Authority is of the view that the investment at the airport is a long-term asset and in addition of that, the airport Operators which operate in a regulated market cannot be penalized for the performance of other sectors in the value chain which are operating in an unregulated market.

6.5.4 The Authority has noted LIAL's reference to the comment made by the Authority in CIAL. The Authority has not adopted a standard adhoc rate of return on equity for any airport. This is based on a study conducted by a reputable agency and for GIAL, the Authority has considered an average of the results of these airports as being a representative rate for GIAL.

Cost of Debt

6.5.5 The Authority has noted the comments of GIAL regarding the cost of debt and reviewed the submissions made by GIAL with respect to the current MCLR, Repo rate, base rates of Axis Bank and the credit rating of GIAL.

i. The Authority reiterates that Manohar Airport is bound to avail the synergies and benefits owed to it by its strong shareholding and balance sheet support from its parent companies and thereby work towards bringing down the cost of debt to the same levels as other PPP airports.

ii. The Authority notes that reduction in profitability as indicated by GIAL could be a phenomenon only in the initial years of operations and is bound to improve after the initial period. Also, the profitability that GIAL has indicated is only the Aeronautical profitability. The overall profitability, including Non-Aeronautical profitability also has to be considered while evaluating the financial position of the airport. Also, the overall profitability is influenced based on other conditions of the Concession Agreement etc. (Revenue Share % which is not a cost pass through) which has been entered into by GIAL based on its own business evaluation and judgement. The Authority has considered a reasonable cost of borrowing of 9%.

iii. Further it may also be noted that as the traffic growth and associated revenue from Aeronautical & Non-Aeronautical services revenue improve and the capital expenditure projects, as approved by the Authority are completed and start to yield benefits, it is expected that the debt profile of Manohar International Airport is bound to improve and its inherent financial risk, as reflected in the cost of debt will reduce to the levels of other PPP airports.

iv. Hence, at this stage, the Authority decides not to consider a change in Cost of Debt as is already considered in the Consultation Paper, also considering that the Airport Operator is getting a sufficient Fair Rate of Return (FRoR) to the tune of 12.21% p.a.

v. The Authority expects GIAL to exercise its best endeavor to undertake the Financing towards capital expenditure at competitive rates as in other PPP airports and take all steps as detailed above, with support from its Parent company to optimize the cost of debt and follow all requisite procedures of financing including following all Government guidelines, obtaining efficient credit rating etc. in order to ensure that debt is contracted at optimum rates to ensure that the users of the airport are not burdened.

vi. Considering that this is a Greenfield airport with a unique situation of having another airport in the vicinity, the Authority may review the cost of debt contracted during the tariff determination of next control period based on an evaluation of the efforts made by GIAL and the process followed for optimization of debt cost and whether debt is contracted with Related Parties.

6.5.6 Hence, the Authority decides to consider FRoR at 12.21% as proposed in the Consultation Stage, for the First Control Period.

6.6 Authority's decisions regarding Fair Rate of Return (FRoR) for the First Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Fair Rate of Return for Manohar International Airport, Mopa, Goa

6.6.1 To consider the Cost of equity at 15.18% as per CAPM formula.

6.6.2 To consider the notional debt to equity (gearing) ratio of 48%:52% in line with target gearing ratio being considered in case of other PPP airports.

6.6.3 To consider cost of debt of 9% for the First Control Period as detailed in Para 6.5.5.

6.6.4 To consider FRoR of 12.21% for the First Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

7 INFLATION FOR THE FIRST CONTROL PERIOD

7.1 GIAL's submission regarding Inflation for the First Control Period

7.1.1 GIAL, Mopa, Goa had considered inflationary increase towards Operating & Maintenance expenses and non-aeronautical revenues for Manohar International Airport, Mopa, Goa for the First Control Period.

7.1.2 For the purpose of inflation, GIAL, Mopa, Goa had considered WPI of 5% from the RBI survey of professional forecasters on macroeconomic indicators – result of the 79th round released on 7th December 2022 for the First Control Period as summarized in the table below.

Table 95: Inflation rates submitted by GIAL, Mopa, Goa for the First control period

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
WPI Inflation	5.00%	5.00%	5.00%	5.00%	5.00%

7.2 Authority's examination regarding Inflation for the First Control Period at Consultation Stage

7.2.1 The Authority had examined the submission made by GIAL, Mopa, Goa on inflation to be considered during the First Control Period and noted that GIAL, Mopa, Goa had considered WPI from the RBI's 79th round of survey. However, the Authority proposed to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators: Round 82nd released on 8th June 2023 published by the Reserve Bank of India (RBI).

7.2.2 Accordingly, the Authority proposed to consider the actual Wholesale Price Index (All commodities) for FY 2023-24 and the mean of WPI inflation forecast (All commodities) for FY 2024-25 and till FY 2027-28 as given in the 82nd round of professional forecasters on macroeconomic indicators.

7.2.3 Further the Authority assumed that the inflation rate would be stable and remain constant from FY 2024-25 till FY 2027-28. Accordingly, the following table shows the inflation rates as proposed by the Authority for the First Control Period.

Table 96: Inflation rates proposed by the Authority for the First control period at consultation Stage

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
WPI Inflation	1.90%	4.00%	4.00%	4.00%	4.00%

7.3 Stakeholders' comments regarding Inflation for the First Control Period

GIAL's comments regarding Inflation for the First Control Period:

7.3.1 GIAL's comments regarding the inflation for the First Control Period:

The inflation rate approved by AERA has been collated and produced below:

S. No	*Airport location*	*Control Period*	*Inflation rate*	*Remarks*
1	*KEMPEGOWDA INTERNATIONAL AIRPORT, BENGALURU (BIAL)*	*01.04.2021 –1.03.2026*	*4.90%*	*The Authority decides to consider the inflation of 4.9% for the Third Control Period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th*

S. No	*Airport location*	*Control Period*	*Inflation rate*	*Remarks*
				round of survey professional forecasters on macroeconomic indicators of RBI
2.	*INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI (DIAL)*	*01.04.2019 - 31.03.2024*	*4.60%*	*The Authority decides to consider the CPI headline inflation of 4.6% based on the RBI survey of professional forecasters on macroeconomic indicators – 61st round for the Third control period.*
3.	*RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD (HIAL)*	*01.04.2021 - 31.03.2026*	*4.60%*	*The Authority decides to consider the max WPI of 4.6% based on the RBI survey of professional forecasters on macroeconomic indicators – 63rd round as per HIAL's submission.*
4.	*CHHATRAPATI SHIVAJI MAHARAJ INTERNATIONAL AIRPORT, MUMBAI (MIAL)*	*01.04.2019 - 31.03.2024*	*4.60%*	*The Authority decides to consider CPI headline inflation rate of 4.6% based on results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 62 for the Third control period.*
5.	*SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT, AHMEDABAD (AIAL)*	*01.04.2021 – 31.03.2026*	*For inflation rate please refer table given in Column E*	*The Authority stated that Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 79th released on 0h 7th December 2022 published by the Reserve Bank of India (RBI), the Wholesale Price Index (All Commodities) inflation has decreased from 11.1 % to 10.4% for FY 2023 and from 5. 1% to 5.0% for FY 2024. The most recent inflation rates will be considered in this Tariff Order. *Inflation rates decided by the Authority for the Third control period:* Particulars: FY 2022 / FY 2023 / FY 2024 / FY 2025 / FY 2026 WPI Inflation: 12.97% / 10.40% / 5.00% / 5.00% / 5.00%
6.	*NETAJI SUBHAS CHANDRA BOSE INTERNATIONAL AIRPORT, KOLKATA*	*01.04.2021 – 31.03.2026*	*4.90%*	*The Authority decides to consider inflation of 4.9% for the Third control period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI.*
7.	*CHENNAI INTERNATIONAL AIRPORT, CHENNAI*	*01.04.2021 – 31.03.2026*	*4.90%*	*The Authority decides to consider inflation of 4.9% for the Third control period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI.*
8.	*GOA INTERNATIONAL AIRPORT, GOA*	*01.04.2021 – 31.03.2026*	*4.90%*	*The Authority decides to consider inflation of 4.9% for the Third control period based on the 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.*

As evident from the Table above, the inflation for a similar Control Period has ranged around 5% considering the time of publishing the Order. This brings about inconsistencies in the inflation value which holds a high significance in computation of Capital Cost, O&M Cost and Non-Aero revenue. The lowest value for inflation is 4.60%, which is 60 basis points higher than the 4.00% which has been proposed by AERA in the case of GGIAL. The value of 1.90% which has been proposed for FY24 for GGIAL is the lowest in a year that has been proposed for a similar CP duration for other airports.

For Dabolim Airport, the inflation forecast has been considered by AERA as 4.9% which is significantly higher than that proposed for GGIAL.

Also, the actual inflation for FY22 and FY23 has been observed as 12.97% and 10.40% respectively. It does not seem probable that inflation will reduce to 1.90% in FY24 and 4.00% for FY25 and FY26.

We reiterate that GGIAL is a greenfield airport in a competitive environment in its 1st Control Period. Hence it is much more sensitive to any under-recovery of revenue as the traffic numbers are not established. In this case, such low inflation forecasts will hugely impact revenue realization and can affect efficient operations in the airport.

Hence, we request AERA to please consider the highest forecast as per the above airports and similar inflation to that considered for Dabolim Airport, i.e., 5%, and accept 5.00% as the inflation forecast for the 1st Control Period for GGIAL.

Other Stakeholder's comments regarding Inflation for the First Control Period:

7.3.2 The Authority noted that there are no stakeholder comments with respect to Inflation for the First Control Period.

7.4 Authority's analysis on Stakeholders' comments regarding Inflation for the First Control Period

7.4.1 The Authority notes the comments of GIAL with respect to the application of rate of inflation in the First Control Period. In this regard, the Authority has considered the inflation forecast released by RBI and uniformly applied the same for all the airports. The latest round of RBI surveys has been considered by the Authority as an authentic reference for this forecasting. Hence, it would not be appropriate to adopt a generic rate based on another airport for which tariff was determined at an earlier time. It is pertinent to note that GIAL, in its MYTP also has considered the same RBI survey result, of an earlier period as the basis of inflation rates.

7.4.2 Consistent with its approach of considering the recent study results, the Authority decides to consider "Results of the Survey of Professional Forecasters on Macroeconomic Indicators: Round 84" released on 6th October 2023 published by the Reserve Bank of India (RBI) and accordingly consider 0.30% for 2023-24 and 4.10% for the balance tariff years of the control period as per the results of this survey. Impact of this change in the relevant building blocks have been addressed in the respective chapters.

7.4.3 Based on the above, the inflation rates decided by the Authority for the First Control Period are as follows:

Table 97: Inflation decided by the Authority for the First Control Period.

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28
WPI Inflation	0.30%	4.10%	4.10%	4.10%	4.10%

7.5 Authority's decisions regarding Inflation for the First Control period

Based on the materials before it and its analysis, the Authority decides the following for the First Control Period:

7.5.1 To consider Inflation for the First Control Period for MIA, Mopa, Goa as per Table 97.

8 OPERATING & MAINTENANCE EXPENSES FOR THE FIRST CONTROL PERIOD

8.1 GIAL's submission regarding Operating & Maintenance Expenses for the First Control Period

8.1.1 As a greenfield airport, GIAL, Mopa, Goa does not have historical data, making it challenging to accurately determine Operating & Maintenance (O&M) expenses. GIAL, Mopa, Goa has analyzed each aspect of O&M expenses considering infrastructure requirements, personnel costs, equipment maintenance, utilities, security measures and other costs.

8.1.2 GIAL, Mopa, Goa had considered the following drivers as a basis to arrive at the projected O&M expenses for the First Control Period:

- **Inflationary increase** – GIAL, Mopa, Goa had considered WPI Inflation of 5% based on the 79th round of professional forecasters on macroeconomic indicators by RBI towards all expenses.
- **Real Increase** – Considering the current economic scenario and upcoming expansion, GIAL, Mopa, Goa had considered 7% year-on-year real increase. This is mainly for manpower cost and office rentals.
- **Upcoming expansion at Manohar International Airport, Mopa, Goa** –Manohar International Airport, Mopa, Goa had to expand its capacity from currently 4.4 MPPA to 11.1 MPPA during the First Control Period. In case of Phase-II expansion, GIAL, Mopa, Goa had assumed 10% incremental factor whereas in case of Phase-III expansion i.e., from 7.7 Mn to 11.1 Mn the incremental factor is assumed to be 50% of the capacity increase, in projecting O&M expenses.

8.1.3 The broad heads under which GIAL, Mopa, Goa has classified its O&M expenses are as follows:

1. Manpower Expense
2. Admin and General Expense
3. Utility Expense
4. Operating Expense
5. Airport Operator Fee

8.1.4 Based on the above assumptions, GIAL, Mopa, Goa had submitted the following total operating & maintenance expenses for the First Control Period:

Table 98: Total Operating & Maintenance Expenses submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Manpower Expenses (A)	**68.23**	**76.66**	**105.14**	**118.12**	**132.71**	**500.86**
Admin and General Expenses						
Rates & Taxes	1.77	1.86	2.61	2.74	2.88	**11.86**
Corporate cost allocation	7.50	7.88	8.27	8.68	9.12	**41.45**
Corporate Social Responsibility (CSR)	-	-	0.30	3.24	6.61	**10.15**
Bank Charges	1.00	1.05	1.10	1.16	1.22	**5.53**
Consultancy & Legal	18.98	19.93	20.93	21.98	23.08	**104.90**
Travel	3.87	1.56	2.00	2.10	2.21	**11.74**
Advertisement	13.64	14.33	15.04	15.79	16.58	**75.38**
Auditor & Director Fee	0.53	0.55	0.58	0.61	0.64	**2.91**

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Office Maintenance etc.	14.64	17.53	22.52	29.03	34.44	**118.16**
Total Admin and General Expenses (B)	**61.93**	**64.69**	**73.35**	**85.34**	**96.76**	**382.07**
Utility Expenses						
Electricity*	37.69	39.43	49.72	52.06	54.53	**233.43**
Water	1.24	1.49	1.91	2.46	2.92	**10.02**
Total Utility Expenses (C)	**38.93**	**40.92**	**51.63**	**54.53**	**57.45**	**243.46**
Operating Expenses						
Repair and Maintenance	39.96	43.75	51.28	79.38	84.89	**299.26**
IT Operation related	0.36	-	-	-	-	**0.36**
Enterprise IT	3.89	4.09	5.24	5.50	5.78	**24.50**
Housekeeping expense	13.60	13.86	18.91	19.34	19.81	**85.52**
Insurance	3.72	3.93	4.74	5.01	5.29	**22.69**
Security expense	13.96	17.13	22.01	27.58	31.68	**112.36**
Misc. expense	33.79	36.54	40.53	46.60	49.75	**207.21**
Total Operating Expenses (D)	**109.29**	**119.29**	**142.70**	**183.41**	**197.20**	**751.89**
Airport Operator Fee (E)	**0.76**	**18.37**	**34.43**	**44.13**	**56.92**	**154.61**
Total O&M Expenses (A)+(B)+(C)+(D)+(E)	**279.14**	**319.93**	**407.25**	**485.53**	**541.05**	**2,032.90**

**Considered electricity expenses net of recoveries from the concessionaires providing non aeronautical services.*

8.1.5 GIAL, Mopa, Goa has considered the following basis to calculate the estimated total O&M expenses for the First Control period:

<u>Manpower Expense</u>

8.1.6 GIAL, Mopa, Goa has estimated its manpower cost by analyzing the manpower requirements (based on internal estimations) for each department at the airport and determined the average cost per person. The average cost of manpower, including salaries, wages, bonus, contribution to Provident Fund (PF), and gratuity expenses was determined to Rs. 14.16 lakh per person considering year ending March 2023 i.e., FY 2022-23 as a base year. GIAL, Mopa, Goa submitted that the manpower cost related to Airport land development has been considered separately. The department wise manpower details submitted by GIAL, Mopa, Goa is presented below:

Table 99: Department wise manpower details submitted by GIAL, Mopa, Goa together with its classification

Department	Headcount	Classification
CEO's/ Dy. CEO's Office	4	Common
CDO's Office	2	Aeronautical
Planning & Business Intelligence	2	Common
Commercial & Business Development	17	Non-Aeronautical
Finance & Secretarial	12	Common
Procurement & Contracts	6	Common
Human Resources & Flight Management System	10	Common
Project support function	15	Common
Corporate relation & Corp.Com.& Connectivity	12	Common

Department	Headcount	Classification
Legal	4	Common
Management Assurance Group (MAG)	3	Common
CSR	2	Common
IT	5	Common
Ethics & Intelligence	1	Common
COO's Office	3	Aeronautical
Airside Ops	26	Aeronautical
Airports Operations Control Centre (AOCC)	20	Aeronautical
Aviation Rescue and Fire Fighting (ARFF)	84	Aeronautical
Environment, health & Safety (EHS)	6	Aeronautical
Landside Ops	4	Aeronautical
Technical Services	35	Aeronautical
Security & Vigilance	73	Aeronautical
Terminal operation and customer facility (TOPS & CFL)	27	Aeronautical
Quality & Service Delivery	3	Aeronautical
Total Employees	**376**	

8.1.7 To calculate the initial manpower cost, GIAL, Mopa, Goa has multiplied the headcount with the average cost. The initial cost is then adjusted for inflation, real growth, and expansion triggers as mentioned in para 8.1.2.

<u>**Admin and General Expenses**</u>

8.1.8 The basis adopted by GIAL, Mopa, Goa for forecasting Admin and General expenses for the First Control Period in the MYTP submission are as follows:

Table 100: Basis of Admin and General expenses as submitted by GIAL, Mopa, Goa

S. No	Particulars	Expense basis
1.	Rates & Taxes	The property tax rate for Manohar International Airport, Mopa, Goa has been determined according to the provisions outlined in the Goa Panchayat Raj Act (Goa Act No. 14 of 1994). Additionally, an extra increase has been factored into account for the expansion of the terminal building during Phase-III.
2.	Corporate Cost Allocation	GIAL, Mopa, Goa has received support from GAL (the Group Company) in areas like strategic finance, funding, legal matters and more. GAL has appointed a consultant (Deloitte) to develop an allocation framework for expense distribution. Based on revenue drivers or Gross Block ratios, GAL's corporate costs allocated to GIAL, Mopa, Goa has been estimated to be Rs. 7.5 crores for FY 2023-24, with expected inflationary increases in the future.
3.	CSR	CSR spending is calculated in accordance with the regulation i.e., 2% of last 3-years PBT including cross subsidized non-aeronautical revenue.
4.	Bank Charges	As per Article 9 of the Concession Agreement, GIAL, Mopa, Goa is required to maintain a performance bank guarantee (PBG) with the concessioning authority. The PBG held by GIAL, Mopa, Goa amounts to Rs. 62 crores, with an annual fee of Rs. 0.60 crores. The remaining Rs. 0.40 crores has been estimated as other bank fees relating to the loan.

S. No	Particulars	Expense basis
5.	Consultancy Charges	Estimated based on department wise cost for the initial year and thereafter escalated by inflation.
6.	Travel	The estimated average cost per passenger is derived from benchmarking the costs of two airports, HIAL and BIAL, and then adding an additional amount of Rs.1 crore for travel expenses related to initial business development. This estimated cost is further escalated with inflation and an expansion factor.
7.	Auditor & Director Fee	Estimated Rs. 50 Lacs for 1st year; thereafter escalated by inflation.
8.	Advertisement	GIAL, Mopa, Goa estimated advertisement cost taking into account the expected expenses and considered inflationary escalation from FY 2024-25 to FY 2027-28.
9.	Office Maintenance etc.	Includes vehicle hire charges, miscellaneous expenses & general admin expenses. Cost is estimated taking into account the expected expenses and thereafter increased by inflation and pax growth.

Utility Expense

8.1.9 GIAL, Mopa, Goa estimated the utility costs for power and water consumption at a gross level, subtracting recovery from airlines and concessionaires. Based on internal assessment, the power cost is estimated based on a procurement cost of Rs. 7.33 per kWh for variable costs and Rs. 250 per Kva / month for fixed costs. A 5 MW solar project is planned to meet a significant portion of the energy requirements at a cost of Rs. 4 per kWh.

8.1.10 For water consumption, GIAL, Mopa, Goa has an agreement with the water resource department guaranteeing a minimum uptake of 1,700 cubic meters per day, with a rate of Rs. 20 per MLD. The initial cost is then adjusted with inflation and pax growth from FY 2024-25 to FY 2027-28.

Operating Expense

a) Repairs and Maintenance

8.1.11 GIAL, Mopa, Goa had awarded the contract for repair and maintenance through a tendering process for the maintenance of existing facilities except for the IT facilities. The cost based on the contract had been considered for FY 2023-24. For further years of the First Control Period, GIAL, Mopa, Goa had used the existing contract as a benchmark and escalated with an increase in capacity from 7.7 MPPA to 11.1 MPPA i.e. Phase-III expansion in order to forecast future costs.

b) IT related expenditure

8.1.12 In order to run the airport efficiently, GIAL, Mopa, Goa has outsourced all of its current and future IT requirements to a specialized service provider to carry out all the Capital expenditure and O&M expenses towards Information and Communication Technology (ICT) services. In terms of the contract, GIAL, Mopa, Goa will provide subsistence level support to IT concessionaire till the time Manohar International Airport, Mopa, Goa achieves 6.6 Mn traffic for any financial year. After achieving the trigger traffic, the concessionaire will be on revenue share at the rate of 3.25% of gross revenue it earns. The expected revenue share from the IT concessionaire and subsistence level support are as follows:

Table 101: Details of IT service contract

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28
Contractual Payouts (A)	**33.26**	**0.00**	**0.00**	**0.00**	**0.00**
Estimated Revenue					
CUTE (B)	28.05	32.00	39.12	48.04	54.27
Non-CUTE (C)	4.83	5.60	6.19	6.89	9.21
Cost to Manohar International Airport, Mopa, Goa (D=C+B-A)	-0.36	0.00	0.00	0.00	0.00
Revenue Share to Manohar International Airport, Mopa, Goa (E)	**0.04**	**1.22**	**1.47**	**1.79**	**2.06**

c) Enterprise IT

8.1.13 GIAL, Mopa, Goa estimated enterprise related IT expenses (includes network in corporate offices, MS office licenses, Corporate IT solutions and support etc.) to be Rs. 2.27 crores for FY 2022-23 and Rs. 3.89 crores for FY 2023-24 and considered inflationary increase and expansion factor thereon for the future years.

d) Other Operating Expenses

8.1.14 The basis for forecasting other Operating expenses by GIAL, Mopa, Goa in its MYTP submission are as follows:

Table 102: Basis for Operating Expense as submitted by GIAL, Mopa, Goa

S.No	Particulars	Expense basis
1	Housekeeping expense	Considered the cost based on the awarded contract of housekeeping for FY 2023-24 and further increased with inflation and the area increase.
2	Insurance	Estimated the cost of its insurance policies to be Rs. 2.65 crores based on the annual premium. This cost is further adjusted with inflation for the remaining years of the First Control Period. Additionally, anticipated a one-time increase of 25% in insurance premiums due to the potential rise in premiums related to airports.
3	Security expense	Considered the cost based on the awarded contract to M/s RAXA for deploying the security personnel for security related services apart from the CISF security personnels and further escalated based on the pax growth.
4	Misc. expenses	Includes expenses in relation to EHS, trolley management, other Airside O&M, lease rental of equipment, UDF collection charges etc. which are estimated based on the actual contract cost and best available estimates.

Airport Operator Fee

8.1.15 GIAL, Mopa, Goa estimated Airport operator fee of 3% based on the previous year revenue to be paid to the Airport Operator who will provide support in airport operation as well as maintenance and bring in relevant experience and advise to support airport operations.

Classification and Allocation of O&M expenses

8.1.16 GIAL, Mopa, Goa had categorized and assigned its O&M expenses into Aeronautical, Non-aeronautical, and Common categories as presented below:

Table 103: Classification and Allocation of O&M expenses submitted by GIAL, Mopa, Goa for the First Control Period

Particulars	Expense Classification	Allocation basis	Aeronautical	Non-aeronautical
Manpower	Common	Employee Head Count Ratio	94.41%	5.59%
Admin and General Expenses				
Rate & Taxes	Common	Area allocation ratio	91.95%	8.05%
Corporate Allocation Cost	Common	Employee Head Count Ratio	94.41%	5.59%
CSR	Aeronautical	-	100.00%	0.00%
Bank charges	Common	Gross Block ratio	97.56%	2.44%
Consultancy & Legal	Common	Gross Block ratio	97.56%	2.44%
Travel	Common	Employee Head Count Ratio	94.41%	5.59%
Advertisement	Common	Terminal Building Ratio	91.03%	8.97%
Auditor & Director fee	Common	Gross Block ratio	97.56%	2.44%
Office Maintenance etc.	Common	Gross Block ratio	97.56%	2.44%
Utility Expenses	Aeronautical	-	100.00%	0.00%
Operating Expense				
Repairs & Maintenance	Common	Gross Block ratio	97.56%	2.44%
IT cost-Airport operations	Common	Gross Block ratio	97.56%	2.44%
Enterprise IT	Common	Gross Block ratio	97.56%	2.44%
Housekeeping	Common	Terminal Building Ratio	91.03%	8.97%
Insurance	Common	Gross Block ratio	97.56%	2.44%
Security expense	Common	Terminal Building Ratio	91.03%	8.97%
Misc. expenses	Common	Gross Block ratio	97.56%	2.44%
AO fees	Aeronautical	-	100.00%	0.00%

8.1.17 Based on the above assumptions, GIAL, Mopa, Goa had submitted the following Aeronautical Operating & Maintenance expenses for the First Control Period:

Table 104: GIAL, Mopa, Goa's submission of Aeronautical Operating & Maintenance expenses for the First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Manpower Expense (A)	**63.99**	**71.90**	**98.61**	**110.79**	**124.47**	**469.75**
Admin and General Expenses						
Rates & Taxes	1.63	1.71	2.40	2.52	2.65	**10.91**
Corporate cost allocation	7.08	7.44	7.81	8.20	8.61	**39.13**
CSR	-	-	0.30	3.24	6.61	**10.15**
Bank Charges	0.98	1.02	1.08	1.13	1.19	**5.39**
Consultancy & Legal	18.52	19.45	20.42	21.44	22.51	**102.33**
Travel	3.66	1.47	1.89	1.98	2.08	**11.09**
Advertisement	12.42	13.04	13.69	14.38	15.10	**68.63**

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Auditor & Director Fee	0.51	0.54	0.56	0.59	0.62	**2.83**
Office Maintenance etc.	14.28	17.11	21.97	28.32	33.60	**115.27**
Total Admin and General Expenses (B)	**59.07**	**61.78**	**70.12**	**81.81**	**92.96**	**365.73**
Utility Expense						
Electricity	37.69	39.43	49.72	52.06	54.53	**233.42**
Water	1.24	1.49	1.91	2.46	2.92	**10.02**
Total Utility Expense (C)	**38.93**	**40.92**	**51.63**	**54.53**	**57.45**	**243.44**
Operating Expenses						
Repair and Maintenance	38.98	42.68	50.02	77.44	82.82	**291.94**
IT Operation related	0.35	-	-	-	-	**0.35**
Enterprise IT	3.80	3.99	5.11	5.37	5.63	**23.89**
Housekeeping expense	12.38	12.62	17.21	17.60	18.03	**77.84**
Insurance	3.63	3.83	4.63	4.89	5.16	**22.14**
Security expense	12.71	15.59	20.04	25.11	28.84	**102.29**
Misc. expense	33.18	35.87	39.79	45.76	48.85	**203.45**
Total Operating Expenses (D)	**105.03**	**114.58**	**136.80**	**176.16**	**189.34**	**721.91**
Airport Operator Fee (E)	**0.59**	**16.79**	**31.97**	**40.99**	**52.82**	**143.16**
Total Aeronautical O&M expenses (A)+(B)+(C)+(D)+(E)	**267.62**	**305.96**	**389.12**	**464.26**	**517.03**	**1,944.00**

8.2 Authority's examination regarding Operating & Maintenance Expenses for the First Control Period at Consultation Stage

8.2.1 The Authority had examined the basis and estimation of O&M expenses submitted by GIAL, Mopa, Goa for the First Control Period. The Authority noted that GIAL, Mopa, Goa had analyzed O&M expenses considering infrastructure requirements, personnel costs, equipment maintenance, utilities, security measures and other costs. The Authority had conducted a detailed analysis of O&M expenses submitted by GIAL, Mopa, Goa in the following order:

I. Allocation ratios
II. Examination of O&M expenses and its allocation into aeronautical and non-aeronautical expenses

I. <u>Allocation Ratios</u>

8.2.2 The following ratios had been analyzed and recomputed by the Authority for appropriate segregation of Common expenses between Aeronautical and Non-aeronautical for First Control Period.

Terminal Building ratio

8.2.3 The Authority observed that GIAL, Mopa, Goa had considered the terminal building ratio of 91.03%:8.97% based on the usage of area towards aeronautical and non-aeronautical activities considering 6,075 sq.m as non-aero area out of total terminal area of 67,726 sq.m.

8.2.4 The Authority examined in detail the Terminal Building ratio submitted by GIAL, Mopa, Goa in Chapter 5. The Authority proposed to consider Terminal Building Ratio of 90%:10% for the First Control Period (Refer para 5.4.6 for detailed explanation).

Gross Block ratio

8.2.5 The Authority noted that GIAL, Mopa, Goa has calculated the Gross Block ratio based on the classification of Gross Block of Assets capitalized for Phase-1. Furthermore, the Authority observed that

GIAL, Mopa, Goa had maintained the same Gross Block ratio throughout the entirety of the First Control Period, without revising it despite the capitalization of assets taking place each year during this period. The Authority, based on the proposed capital expenditure in Table 74 & Table 75 proposed the Gross Block Ratio for the First Control Period.

Table 105: Gross Block ratio proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Aeronautical Gross Block						
Opening Gross Block (A)	2,507.92	3,265.03	3,274.03	3,686.76	3,695.76	
Addition (B) (Table 78)	757.11	9.00	412.73	9.00	9.00	**1,196.84**
Sales/Transfers/Disposals (C)	-	-	-	-	-	
Closing of Aeronautical Gross Block (D=A+B-C)	**3,265.03**	**3,274.03**	**3,686.76**	**3,695.76**	**3,704.76**	
Total Gross Block						
Opening Gross Block (E)	2,620.74	3,415.07	3,425.07	3,876.20	3,886.20	
Addition (F) (Table 74)	794.33	10.00	451.14	10.00	10.00	**1,275.47**
Sales/Transfers/Disposals (G)	-	-	-	-	-	
Closing of Total Gross Block (H=E+F-G)	**3,415.07**	**3,425.07**	**3,876.20**	**3,886.20**	**3,896.20**	
Aeronautical Gross Block Percentage (I=D ÷H)	95.61%	95.59%	95.11%	95.10%	95.09%	
Average of 5 year-Aeronautical Gross Block Ratio	**95.30%**					

Employee Head Count Ratio (EHCR)

EHCR submitted by GIAL, Mopa, Goa

8.2.6 The Authority had reviewed the submission made by GIAL, Mopa, Goa and observed that GIAL, Mopa, Goa had submitted Employee Head Count ratio of 94.41%:5.59% (Aeronautical: Non-Aeronautical) based on the nature of services provided by each department, segregated as Aero, Non-aero, or Common.

Actual Employee Head Count & Expansion Factors

8.2.7 The Authority noted that GIAL, Mopa, Goa, in response to the query, had provided the actual head count of employees working at Manohar International Airport, Mopa, Goa for the month of March 2023 department-wise. Upon reviewing, the Authority noted that using the actual head count figures will offer an accurate representation of the current number of employees and facilitate assessment of manpower expenses. Therefore, the Authority proposed to adopt the actual head count data from March 2023 as the base for assessing the Employee Head Count of the First Control Period for Manohar International Airport, Mopa, Goa.

Classification of Employees

8.2.8 After examining the functions of each department, the Authority had determined that the duties of employees listed below extend beyond aeronautical activities and encompass the overall operations of the airport. As a result, the Authority proposed reclassification of the following departments as Common:

1. CDO's Office
2. COO's Office

3. Security Vigilance

8.2.9 Therefore, based on the above analysis, the Authority had recalculated the Employee Head Count Ratio (EHCR) as presented below and proposed a revised ratio of 95.73% : 4.27% (Aeronautical: Non-Aeronautical) for the allocation of expenses in the First Control Period.

Table 106: Employee Head Count Ratio proposed by the Authority for the First Control Period at Consultation Stage

Department	Classification	FY23
CEO's/ Dy. CEO's Office	Common	3
CDO's Office	Common	2
Planning & Business Intelligence	Common	2
Commercial & Business Development	Non-Aero	7
Finance & Secretarial	Common	10
Procurement & Contracts	Common	5
Human Resources & Flight Management System	Common	9
Project support function	Common	15
Corporate relation & Corp.Com.& Connectivity	Common	13
Legal	Common	2
Management Assurance Group (MAG)	Common	2
CSR	Common	1
IT	Common	3
Ethics & Intelligence	Common	1
COO's Office	Common	2
Airside Ops	Aero	23
AOCC	Aero	20
ARFF	Aero	81
EHS	Aero	5
Security & Vigil.	Common	88
Terminal operation and customer facility (TOPS & CFL)	Aero	30
Quality & Service Delivery	Aero	1
Passenger Exp	Aero	3
Total		**328**
Employee Head Count		
Aero		163
Non-Aero		7
Common		158
Common Employees to Aero & Non-Aero		
Aero		151
Non-Aero		7
Total Employee Head Count		
Aero		314
Non-Aero		14
Employee Head Count ratio (Aero : Non-Aero)		
Aero		95.73%
Non-Aero		4.27%

Summary of Allocation Ratios proposed by the Authority for the First Control Period

8.2.10 The Allocation ratios proposed by the Authority for Manohar International Airport, Mopa, Goa for the First Control Period are as follows:

Table 107: Allocation Ratios proposed by the Authority for the First Control Period at Consultation Stage

Particulars	FY24	FY25	FY26	FY27	FY28
TBLR (para 5.4.6)	90.00%	90.00%	90.00%	90.00%	90.00%
Gross Block Ratio (Table 105)	95.30%	95.30%	95.30%	95.30%	95.30%
EHCR (Table 106)	95.73%	95.73%	95.73%	95.73%	95.73%

Classification and Allocation of O&M expenses

8.2.11 The Authority had classified and assigned the projected O&M expenses into three distinct categories: Aeronautical, Non-aeronautical, and Common. Further, the common expenses were allocated into aeronautical and non-aeronautical categories, based on the established methodology followed by the Authority across all airports. Presented below is the table illustrating the classification and allocation of O&M expenses proposed by the Authority in the subsequent paragraphs, into the aeronautical and non-aeronautical segments for the First Control Period:

Table 108: Classification and Allocation of O&M expenses proposed by the Authority for the First Control Period at Consultation Stage

Particulars	Expense Classification	Allocation basis	Aeronautical	Non-aeronautical
Manpower	Common	Employee Head Count Ratio	95.73%	4.27%
Admin and General Expenses				
Rate & Taxes	Common	Area allocation ratio (Table 113)	90.92%	9.08%
Corporate Allocation Cost	Common	Employee Head Count Ratio	95.73%	4.27%
CSR	Aeronautical	-	100.00%	0.00%
Bank charges	Common	Gross Block Asset ratio	95.30%	4.70%
Consultancy & Legal	Common	Gross Block Asset ratio	95.30%	4.70%
Travel	Common	Employee Head Count Ratio	95.73%	4.27%
Advertisement	Common	Terminal Building Ratio	90.00%	10.00%
Auditor & Director fee	Common	Gross Block Asset ratio	95.30%	4.70%
Office Maintenance etc.	Common	Gross Block Asset ratio	95.30%	4.70%
Utility Expenses	Aeronautical	After Net recoveries from the Non-Aeronautical Concessionaire	100.00%	0.00%
Operating Expense				
Repairs & Maintenance	Common	Gross Block Asset ratio	95.30%	4.70%

Particulars	Expense Classification	Allocation basis	Aeronautical	Non-aeronautical
IT cost-Airport operations	Common	Gross Block Asset ratio	95.30%	4.70%
Enterprise IT	Common	Gross Block Asset ratio	95.30%	4.70%
Housekeeping expense	Common	Terminal Building Ratio	90.00%	10.00%
Insurance	Common	Gross Block Asset ratio	95.30%	4.70%
Security expense	Common	Terminal Building Ratio	90.00%	10.00%
Misc. expenses				
a. EHS	Aeronautical	-	100.00%	0.00%
b. Trolley Management	Aeronautical	-	100.00%	0.00%
c. Other Airside O&M	Aeronautical	-	100.00%	0.00%
d. Lease Rental	Common	Gross Block Asset ratio	95.30%	4.70%
e. UDF Collection Charges	Aeronautical	-	100.00%	0.00%
f. Other Tops	Common	Terminal Building Ratio	90.00%	10.00%
g. Other Misc. Expenses	Common	Terminal Building Ratio	90.00%	10.00%
AO fees	-	-	-	-

II. Examination of O&M expenses and its allocation into aeronautical and non-aeronautical expenses

8.2.12 The Authority had carefully examined GIAL, Mopa, Goa submission regarding various O&M expenses for the First Control Period. The Authority in the following paragraphs presents its analysis of each expense category and its corresponding allocation, organized in the following sequence:

a) Inflationary Increase
b) Expansion Increase
c) Manpower Expense and its allocation
d) Admin and General Expense and its allocation
e) Utility Expense and its allocation
f) Operating Expense and its allocation
g) Airport Operator Fee

Inflationary Increase

8.2.13 The Authority, on examination of the submission made by GIAL, Mopa, Goa, noted that WPI inflation of 5% has been considered towards all expenses. However, the Authority in its analysis detailed in Chapter 7, proposed to consider WPI inflation of 4% Y-o-Y published in the results of the 82nd round of the Survey of Professional Forecasters on Macroeconomic Indicators released on 8th June 2023.

Expansion Increase

8.2.14 The Authority noted that GIAL, Mopa, Goa in its submission had projected various expenses by considering an incremental factor of 10% in FY 2023-24 and 22% in FY 2025-26. These increments were attributed to the capacity expansion in Phase-II and Phase-III, respectively. Upon analyzing, the Authority noted that a more accurate representation of the impact of infrastructure development on expenses would be achieved by considering the increase in terminal building area instead of just capacity. Thus, the Authority proposed to use the area expansion in Phase-II and III as the incremental factor.

The Authority also recognized that the increase in expenses may not be directly proportional to the increase in the Terminal Building area due to factors such as technological innovations, advancements, and economies of scale. Hence, the Authority proposed to consider 2/3rd (66.67%) of the area increase i.e. 7% in FY 2023-24 and 25% in FY 2025-26 as computed below as expansion increase while projecting expenses for the First Control Period.

Table 109: Expansion Increase % proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Reference	Amount
Phase-II Expansion Growth		
Cost of Terminal Building		
Phase – I	A	637.46
Phase – II	B	69.65
Increase from Phase – I	C=B/A	11%
Phase-II Expansion Growth	**D=C*2/3**	**7%**
Phase-III Expansion Growth		
Terminal Area (In Sq.m)		
Phase – II	E	67,726
Phase – III	F	92,726
Increase from Phase – II	G=(F/E)-1	37%
Phase-III Expansion Growth	**H=G*2/3**	**25%**

In respect of Manpower expenses, the Authority notes that GIAL, Mopa, Goa has claimed 22% expansion increase in FY 2025-26 which the Authority noted to be reasonable and justified. Hence, the Authority proposed to allow the same.

<u>Manpower Expenses</u>

8.2.15 The Authority noted that GIAL, Mopa, Goa had provided a weighted average employee cost of Rs. 14.16 lakh per annum for FY 2022-23, with a projected annual increase of 7% Y-o-Y for the years of the First Control Period. This average cost includes the salary expenses of all departments (refer to Table 99) and encompasses various grades, starting from the highest managerial grade M1 to A5 level.

8.2.16 The Authority observed that GIAL, Mopa, Goa had taken into account the salaries of employees across different roles and levels within the organization, resulting in a representative figure for the average cost. Therefore, the Authority proposed to accept the weighted average employee salary cost of Rs. 14.16 lakh per annum. However, aligning with the uniform approach taken for Manpower Expenses, the Authority proposed to rationalize the growth rate to 6% year-on-year for all years of the First Control Period, starting from FY 2023-24.

8.2.17 Further, the Authority observed that GIAL, Mopa, Goa had factored in, the capacity expansion of 10% for Phase-II in FY 2023-24 and 22% for Phase-III in FY 2025-26 and an inflation increase of 5% Y-o-Y starting from FY 2023-24 onwards into the calculation of employee cost. The Authority after analyzing the same, proposed the following adjustments:

- To not consider the inflationary increase, as 6% growth rate has already been proposed.
- To consider area expansion of Phase-II and Phase-III, by 7% in FY 2023-24 and 22% in FY 2025-26 respectively (refer para 8.2.14 and Table 109) as the expansion of the facility comes with the challenge of accommodating the corresponding increase in operations requiring additional manpower.

8.2.18 Additionally, the Authority noted that GIAL, Mopa, Goa in its calculation of manpower expenses considered staff welfare expenses at the rate of 3% of employee cost. The Authority noted this to be reasonable. Thus, the Authority proposed to consider staff welfare expenses at the rate of 3% on the employee cost proposed by the Authority in para 8.2.16 and 8.2.17.

8.2.19 Taking the above factors into consideration, the Authority proposed the following manpower expenses for the First Control Period:

Table 110: Manpower Expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Manpower Expenses	54.26	57.52	74.38	78.85	83.58	348.58

Allocation of Manpower Expenses

8.2.20 The Authority, taking into the account the EHCR as presented in Table 106, proposed the following aeronautical manpower expenses for determination of tariff of the First Control Period of Manohar International Airport, Mopa, Goa.

Table 111: Aeronautical Manpower Expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Manpower Expenses	51.95	55.06	71.21	75.48	80.01	**333.71**

<u>**Admin and General Expenses**</u>

8.2.21 The Authority noted that GIAL, Mopa, Goa had estimated Admin and General expenses for the First Control Period of Rs. 382.07 crores and had provided the basis for each component of Admin and General expense which is presented in Table 100. The Authority had analyzed each component of Admin and General expense and proposes the Admin and General expense for the First Control Period as detailed below.

Table 112: Admin and General expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total	Basis considered by the Authority
Rates & Taxes	1.78	1.85	2.40	2.50	2.60	**11.12**	Proposed to consider the estimation base provided by GIAL, Mopa, Goa for FY 2023-24. To account for inflation, an annual increase of 4% (WPI) is applied for the remaining years of the First Control Period. Furthermore, in FY 2025-26, 25%

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total	Basis considered by the Authority
							(Refer Table 109) increase has been considered due to area expansion.
Corporate Cost Allocation	3.75	3.90	4.06	4.22	4.39	20.31	The Authority had examined the proposal for the allocation of Corporate Cost amounting to Rs. 7.5 crores for FY 2023-24 submitted by GIAL, Mopa, Goa. After careful consideration, the Authority proposed to allow 50% of the expense proposed by GIAL for FY 2023-24 as Corporate Cost allocation and thereafter escalate with an inflationary increase of 4% Y-o-Y for the remaining years of the First Control Period. The proposal of Rs. 3.75 crores for FY 2023-24 was considered as a general estimate due to the lack of detailed computations or documentation provided by GIAL, Mopa, Goa to substantiate their submission. It is noted that the study for allocation for Corporate Cost was conducted by Deloitte, for three group companies, namely HIAL, DIAL and Manohar International Airport, Mopa, Goa. Despite continuous follow-ups till 6th July 2023, GIAL, Mopa, Goa had failed to provide a copy of the study conducted by Deloitte and the basis for estimating the expense. GIAL, Mopa, Goa responded that the allocation had not been finalized yet, as the current year marks the first year of full operations and the amount of Rs. 7.5 crores for FY 2023-24 was only an estimated figure that may undergo finalization during the year. The Authority expected that the Corporate Cost allocation will be towards efficiently spent expenditure, backed by an appropriate methodology of allocation.
CSR	-	-	-	-	-	-	CSR is estimated based on Aeronautical P&L and the average of past 3 years' profit.

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total	Basis considered by the Authority
							As this was dependent on the profitability of the individual years of operation, the same will be evaluated and trued up at the time of next control period.
Bank Charges	0.60	0.62	0.65	0.67	0.70	**3.25**	Proposed to consider the estimation base provided by GIAL, Mopa, Goa for FY 2023-24 after excluding Rs.0.40 crores which has been estimated by GIAL, Mopa, Goa as other bank fees relating to the term loan. This exclusion was proposed because costs related to the term loan should be considered as part of the Regulated Asset Base (RAB) and not categorized as Operations & Maintenance (O&M) expenses. To account for inflation, an annual increase of 4% (WPI) was applied for the remaining years of the First Control Period.
Consultancy charges	10.00	10.40	10.82	11.25	11.70	**54.16**	GIAL, Mopa, Goa vide email dated 7th July 2023, provided detailed breakup of Consultancy charges estimated for FY 2023-24. The Authority upon detailed analysis of each head proposed to consider Rs. 10.00 crores for FY 2023-24. For the remaining period of the First Control Period, it was proposed to increase the estimates by 4% annually, in line with the inflation rate (WPI) from FY 2024-25 onwards.
Travel	1.97	2.05	2.13	2.22	2.30	**10.67**	Estimates made were based on benchmarks from other airports. Initial business development costs of Rs. 1 crore additionally submitted by GIAL, Mopa, Goa was not considered as the basis and justification of the same was not provided. It was proposed to increase the estimates by 4% annually, in line with the inflation rate (WPI) from FY 2024-25.
Advertisement	8.50	8.84	4.60	4.78	4.97	**31.69**	Being a new airport, the Authority noted the need for Advertisement

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total	Basis considered by the Authority
							costs in the initial years. Accordingly, Rs. 8.50 crores was considered for FY 2023-24 together with an inflationary increase for the next year. However, the Authority noted that, after the initial period of two years, Manohar International Airport, Mopa, Goa would have had sufficient traction and hence the cost of Advertising was rationalized by 50% from the next year and estimated with the inflationary increase. The Authority reiterated GIAL, Mopa, Goa to ensure efficient and optimal spend of the same which will be reviewed in the next control period.
Auditor & Director Fee	0.53	0.55	0.57	0.60	0.62	**2.87**	Proposed to consider the estimation base provided by GIAL, Mopa, Goa for FY 2023-24. To account for inflation, an annual increase of 4% (WPI) was applied for the remaining years of the First Control Period.
Office Maintenance, Vehicle charges etc.	17.55	18.25	23.73	24.67	25.66	**109.86**	For FY 2023-24, the Authority had assessed the actual data submitted by GIAL, Mopa, Goa for the three months starting from COD till 31st March 2023 of FY 2022-23. This data was extrapolated to estimate the expenses for FY 2023-24 along with 7% increase due to area expansion (refer Table 109). Furthermore, for the remaining period of the First Control Period, it was proposed to increase the estimates by 4% annually, in line with the inflation rate (WPI) from FY 2024-25 and considering 25% (refer Table 109) increase due to area expansion in FY 2025-26.
Total Admin and General Expenses	**44.67**	**46.46**	**48.95**	**50.91**	**52.94**	**243.93**	

Allocation of Admin and General Expenses

8.2.22 The Authority had examined the allocation of Admin and General costs into Aero and Non-Aero. The following breakdown provided a detailed account of the classification and allocation of each component within the Admin and General expense:

Rates & Taxes

8.2.23 The Authority noted GIAL, Mopa, Goa's classification of each area within the Manohar International Airport, Mopa, Goa for the purpose of calculating aeronautical rates and taxes and dividing them into Aero, Non-aero, and Common categories. The Authority, based on its analysis, reclassified each area into Aero, Non-aero, and Common and thereafter allocates common costs into Aero and Non-aero. The table below presented the reclassification and reallocation of rates and taxes proposed by the Authority for the First Control Period.

Table 113: Aeronautical Rates and Taxes for FY 2023-24 proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Area in Sq.m	Property tax p.a.	Classification as per GIAL, Mopa, Goa	Classification as per the Authority	Aero taxes as per GIAL, Mopa, Goa	Aero taxes as per the Authority
Passenger Terminal Building (PTB) Block 1	67,726	1.35	Common (TBLR)	Common (TBLR)	1.23	1.22
Air Traffic Control - Technical Building (ATC -TB)	2,250	0.04	Aero	Aero	0.04	0.04
Air Traffic Control - Tower (ATC-T)	1,341	0.03	Aero	Aero	0.03	0.03
Crash Rescue Fire Station - Main (CRFS-M)	952	0.02	Aero	Aero	0.02	0.02
Crash Rescue Fire Station - Satellite (CRFS-S)	311	0.01	Aero	Aero	0.01	0.01
Utility Building	2,040	0.04	Aero	Common (TBLR)	0.04	0.04
AGL Sub Station	578	0.01	Aero	Aero	0.01	0.01
Airport surveillance radar (ASR) MSSR	416	0.01	Aero	Aero	0.01	0.01
ASDC Buildings (ASDC, Cafeteria & Workshop)	486	0.01	Common (TBLR)	Common (TBLR)	0.01	0.01
Administrative Block	4,844	0.10	Common (TBLR)	Common (TBLR)	0.09	0.09
Cafeteria	1,023	0.02	Common (TBLR)	Common (EHCR)	0.02	0.02
Airport Utility (Accommodation Centre)	1,226	0.02	Common (TBLR)	Common (TBLR)	0.02	0.02

Particulars	Area in Sq.m	Property tax p.a.	Classification as per GIAL, Mopa, Goa	Classification as per the Authority	Aero taxes as per GIAL, Mopa, Goa	Aero taxes as per the Authority
Airline Engineering and Maintenance Building (AEMB) - Block	989	0.02	Aero	Aero	0.02	0.02
Doppler Very High Frequency Omni Range (DVOR)	73	0.00	Aero	Aero	0.00	0.00
Gate House -01	68	0.00	Aero	Aero	0.00	0.00
Sewage Treatment Plant (STP)	534	0.01	Common (TBLR)	Common (Asset ratio)	0.01	0.01
Gate House -02	68	0.00	Aero	Aero	0.00	0.00
Gilde Path	25	0.00	Aero	Aero	0.00	0.00
Localizer	25	0.00	Aero	Aero	0.00	0.00
Main Water Tank	2,012	0.04	Common (TBLR)	Common (Asset ratio)	0.04	0.04
MRSS Block	1,805	0.04	Common (TBLR)	Common (TBLR)	0.03	0.03
Total	**88,793**	**1.78**			**1.63**	**1.61**

8.2.24 Based on its analysis, the Authority noted that the allocation basis selected by GIAL, Mopa, Goa for the other components of Admin and General expenses was reasonable. As a result, the Authority proposed adopting the same allocation basis, taking into consideration the revised ratios calculated in para 8.2.1 (I) as mentioned earlier.

8.2.25 Based on the aforementioned proposals, the Authority proposed the following aeronautical Admin and General expenses for the First Control Period.

Table 114: Aeronautical Admin and General Expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Rates & Taxes	1.61	1.68	2.19	2.27	2.36	**10.12**
Corporate cost allocation	3.59	3.73	3.88	4.04	4.20	**19.44**
CSR	-	-	-	-	-	-
Bank Charges	0.57	0.59	0.62	0.64	0.67	**3.10**
Consultancy and Legal	9.53	9.91	10.31	10.72	11.15	**51.62**
Travel	1.89	1.96	2.04	2.12	2.21	**10.21**
Advertisement	7.65	7.96	4.14	4.30	4.47	**28.52**
Auditor & Director Fee	0.51	0.53	0.55	0.57	0.59	**2.74**
Office Maintenance etc.	16.72	17.39	22.61	23.51	24.46	**104.70**
Total Aeronautical Admin and General Expenses	**42.07**	**43.76**	**46.33**	**48.18**	**50.11**	**230.44**

Utility Expense

Power Cost

8.2.26 The Authority noted that GIA, Mopa, Goa had projected the power costs, factoring in the recoveries from the Concessionaires, which were estimated to be an average of 24% of the total power cost. This recovery percentage was determined by considering a 20% recovery on the total units of power consumed and another 20% recovery on the Per unit rate of power from the concessionaires.

Upon careful assessment, the Authority noted this recovery percentage to be reasonable when compared to other airports in the region. However, the Authority noted that as GIAL, Mopa, Goa gradually expands its non-aeronautical operations, it should also proportionately increase the power recovery.

8.2.27 The Authority noted that GIAL, Mopa, Goa had estimated a power consumption of 5.23 crores kilowatt-hours (KWH) with a procurement cost of Rs. 7.69 per kWh (increased from Rs. 7.33 per kWh for FY 2022-23, accounting for a 5% inflation) and fixed costs of Rs.250 per Kva/month for FY 2023-24. The Authority's analysis on the same was as follows:

- **Units Consumption:** The Authority, after reviewing the actual bills for the months of April 2023 and May 2023, noticed that the consumption of power units for a single month amounted to approximately 14.68 lakhs units. Extrapolating this figure, it was estimated that the total consumption for the entire year would be around 1.7 crores units.

  Considering that Manohar International Airport, Mopa, Goa had recently initiated operations for domestic traffic and international traffic commencing in July 2023, it was expected that the power unit consumption will increase in the future. Hence, the Authority proposed to consider double of the units calculated as above, i.e., 1.7 crores units, for FY 2023-24. Consequently, the Authority proposed considering the consumption at approximately 3.50 crores units for FY 2023-24, together with a 25% increase (as shown in Table 109), due to the anticipated area expansion in FY 2025-26.

- **Procurement Cost:** GIAL, Mopa, Goa had provided the procurement cost of Rs. 7.33 per kWh and fixed costs of Rs. 250 per Kva/month based on the actual bill issued by the Electricity Department of the Government of Goa on 13th February 2023. However, the Authority considering the latest bill i.e. May 2023 proposed to consider average rate of Rs. 6.98 per kWh and fixed costs of Rs. 250 per Kva/month for FY 2023-24. For the remaining years of the First Control Period of Manohar International Airport, Mopa, Goa, an annual inflationary increase of 4% (WPI) was applied to the power charges.

8.2.28 Additionally, GIAL, Mopa, Goa had installed a 5 MW Solar project on a Build-Own-Operate-Transfer (BOOT) basis. The project aims to meet 7 million kWh of the airport's energy requirement, with an assumed cost of Rs. 4 per kWh. The Authority had reviewed GIAL, Mopa, Goa's cost estimation for the solar project and found it reasonable. Therefore, the Authority proposed to consider this cost estimation and adjust the 7 million kWh of energy generated from solar power from the total unit consumption mentioned in para 8.2.27 above.

8.2.29 Taking into account all the factors discussed above, the Authority proposed the power cost for the First Control Period as follows:

Table 115: Power Charges proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Reference	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Energy unit in Mus	A	35.01	35.01	43.76	43.76	43.76	**201.30**
Solar Mus	B	7.00	7.00	7.00	7.00	7.00	**35.00**
Grid in KWH	C=A-B	28.01	28.01	36.76	36.76	36.76	**166.30**
Per unit cost	D	6.98	7.26	7.55	7.85	8.16	
Grid Variable cost	E=CxD/10	19.54	20.33	27.74	28.85	30.01	**126.48**
Grid Fixed cost	F	1.42	1.47	1.92	1.99	2.07	**8.87**
Solar Power cost	G	2.80	2.80	2.80	2.80	2.80	**14.00**
Total Electricity Cost	H=E+F+G	23.76	24.60	32.46	33.65	34.88	**149.35**
Expected recovery	I	4.69	4.88	6.66	6.92	7.20	**30.35**
Net Electricity Cost (Aeronautical)	**J=H-I**	**19.07**	**19.72**	**25.80**	**26.72**	**27.68**	**118.99**

Water Charges

8.2.30 The Authority noted that the water charges were based on the agreement with the water resource department of Goa which was fixed in terms of rate and the minimum water intake for FY 2023-24. The Authority proposed to adopt GIAL, Mopa, Goa's estimation for FY 2023-24 as the basis for water charges. For the subsequent years of the First Control Period, the Authority proposed applying a 4% inflationary increase to the water charges and adjusting the water intake based on the growth in airport traffic.

8.2.31 Further, the Authority noted that GIAL, Mopa, Goa had not considered recovery for water usage from the concessionaires. Upon seeking clarification, GIAL, Mopa, Goa informed that the water consumption was intended to be net of recoveries; however, it had inadvertently not been netted off from the expenses in the model and requested to consider the same recovery % used for electricity. Thus, the Authority proposed to consider 24% of the total water cost as recoveries from the concessionaires.

8.2.32 Taking the above factors into consideration, the Authority proposed the following Utility expenses for First Control Period:

Table 116: Total Utility Expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Electricity Cost	23.76	24.60	32.46	33.65	34.88	**149.35**
Water Cost	1.24	1.47	1.87	2.39	2.81	**9.78**
Total Utility Expense	**25.00**	**26.07**	**34.33**	**36.04**	**37.69**	**159.13**

Allocation of Utility Expenses

8.2.33 In line with the discussion in para 8.2.26 and 8.2.31, the power and water charges had been considered as Aeronautical after making adjustments in recoveries from the concessionaires. Taking into account the recoveries from the concessionaires as adjustments from power and water charges, the Authority proposed to consider the following aeronautical utility expenses for the First Control Period.

Table 117: Aeronautical Utility Expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Electricity Cost	19.07	19.72	25.80	26.72	27.68	**118.99**
Water Cost	0.94	1.12	1.42	1.82	2.14	**7.44**
Total Aeronautical Utility Expense	**20.01**	**20.84**	**27.22**	**28.54**	**29.81**	**126.43**

Operating & Maintenance Expenses

a) Repairs and Maintenance (R&M)

8.2.34 The following paragraphs summarize the findings and proposals made by the Authority regarding R&M expenses submitted by GIAL, Mopa, Goa for Manohar International Airport, Mopa, Goa:

i. The Authority noted that GIAL, Mopa, Goa has entered into a engineering and maintenance contract with a related party through a tendering process. The Authority had sought confirmation from GIAL, Mopa, Goa that due process as mentioned in para 2.5.8 has been followed as per appropriate governance practices and that Probity audit reports had been submitted to GoG and approved by GoG. GIAL, Mopa, Goa had confirmed the same.

ii. The Authority analyzed the percentage of R&M expenses in relation to the net block of assets for each tariff year, as submitted by GIAL, Mopa, Goa. The Authority observed that GIAL, Mopa, Goa's estimated R&M costs for the First Control Period fall in the range of 1.13% to 2.30% of the net block of assets. It was important to note that Manohar International Airport, Mopa, Goa is a newly constructed greenfield airport, hence, it will initially incur significant capital expenditure costs and will require minimal repairs and maintenance.

iii. GIAL, Mopa, Goa's contract for R&M expenses indicated that the airport facilities are covered under the defect liability period of two years from the EPC contractor and other project vendors. For monitoring that defect liability period is properly complied, the contract provides responsibility to the contractor. Along with this, the contractor will be responsible for carrying out the necessary engineering and maintenance services to ensure the operational functionality of Manohar International Airport, Mopa, Goa from the Commercial Operation Date (COD).

iv. The Authority was of the view that Manohar International Airport, Mopa, Goa is a newly constructed infrastructure with several advantages, including guarantees, warranties, and a two-year defect liability period. However, certain operational and maintenance related expenses would be incurred to ensure smooth running of operation.

v. Taking into account the benefits provided by guarantees, warranties, and the two-year defect liability period, the Authority proposed a revised approach for considering the Repair and Maintenance (R&M) expenses for the initial two years. Specifically, the proposed amounts for FY 2023-24 and FY 2024-25 were considered at Rs. 15 crores and Rs. 20 crores respectively. Thereafter, the R&M expenses were proposed be considered at 70% of the expenses submitted by GIAL, Mopa, Goa for the subsequent years, noting that the values of Repair and Maintenance costs proposed by GIAL, Mopa, Goa as high and that it may take another couple of years in the control period for the operations at the airport to stabilize. By adopting this approach, the Authority aimed to strike a fair balance between recognizing the advantages of the initial warranty and defect liability period while still accounting for the ongoing operational and maintenance requirements of the airport in the years to come. These were proposed to be reviewed at the time of true up to evaluate the reasonableness and optimum level of R&M costs, once the operations at the airport stabilize.

b) IT related expenditure

8.2.35 The Authority had taken note that GIAL, Mopa, Goa had awarded the license agreement for IT Services at Manohar International Airport, Mopa, Goa through an e-tendering process. As per the agreement, upon COD and until the Revenue Share Trigger Date, which is the date when the passenger traffic at the airport reaches 6.6 million, GIAL, Mopa, Goa had committed to providing subsistence level support to the IT concessionaire.

8.2.36 As part of this support, GIAL, Mopa, Goa will reimburse the IT concessionaire for the capital expenditure and operational expenditure incurred in providing the necessary IT assets, IT works, and IT services to GIAL, Mopa, Goa. The reimbursement will be calculated on a pro rata basis using the following formula:

"WACC return on Capex Incurred + Depreciation + Opex + 20% margin on Opex"

8.2.37 After the Revenue Share Trigger Date, GIAL, Mopa, Goa will receive a revenue share of 3.25% of the gross revenue, which includes the revenue generated from both Common Use Terminal Equipment (CUTE) and non-CUTE services.

8.2.38 GIAL, Mopa, Goa in its submission, had estimated the subsistence level support cost based on the values for capital and operational expenditure obtained from the IT concessionaire's records. The Authority had also observed that the estimated Revenue Share Trigger Date provided by GIAL, Mopa, Goa aligns with traffic estimated by the Authority in Table 38 which is expected to be triggered in FY 2023-24.

8.2.39 Based on these considerations, the Authority noted that GIAL, Mopa, Goa's estimation of the IT-related cost for subsistence level support and the revenue share calculation were reasonable. Therefore, the Authority proposed to accept GIAL, Mopa, Goa's estimation for IT-related costs as part of O&M expenses (refer Table 101) and the revenue generated from CUTE and non-CUTE services as part of the Aeronautical Income which will be analyzed and discussed under Aeronautical Revenues after receiving the Tariff Rate Card from GIAL, Mopa, Goa during the Consultation Stage.

c) Enterprise IT

8.2.40 The Authority noted that GIAL, Mopa, Goa had estimated enterprise-related IT expenses for FY 2022-23 to be Rs. 2.27 crores and Rs. 3.89 crores for FY 2023-24. These expenses encompass various aspects such as network infrastructure in corporate offices, MS Office licenses, corporate IT solutions, and support.

The Authority was of the view that Enterprise IT is also important to meet the technological needs of the organization, enhance productivity, and ensure efficient communication and collaboration. It includes activities such as hardware and software maintenance, user support, system upgrades, and security measures. However, as detailed basis of the expenditure was not submitted by GIAL, Mopa, Goa, the Authority proposed to consider only 70% of the cost estimate submitted by GIAL, Mopa, Goa for FY 2023-24 and thereafter increase the same with 4% inflation Y-o-Y.

d) Other Operating Expenses

8.2.41 The Authority analyzed the basis for forecasting each component of Other Operating expenses submitted by GIAL, Mopa, Goa. The analysis is as summarized below:

Housekeeping expense

8.2.42 GIAL, Mopa, Goa had awarded the contract of the housekeeping to various vendors and considered the contract value as the base for estimating the housekeeping expense for FY 2023-24 and thereafter considered expansion growth and inflationary increase. The Authority as part of its analysis had obtained the housekeeping contract from GIAL, Mopa, Goa vide email dated 29th December 2022. The Authority, based on review of the contract, proposed to consider the actual cost mentioned in the price schedule of the contract as the housekeeping expenses for FY 2023-24.

8.2.43 Further, the Authority proposed to consider 25% (refer Table 109) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period.

Insurance Cost

8.2.44 The Authority observed that the insurance policies submitted by GIAL, Mopa, Goa were mandatory as per the requirements stated in the Concession Agreement between the Government of Goa (GoG) and GIAL, Mopa, Goa for the Manohar International Airport, Mopa, Goa project. The annual premium of Rs. 2.65 crores for all the policies submitted by GIAL, Mopa, Goa appeared to be reasonable.

8.2.45 The Authority noted that GIAL, Mopa, Goa had claimed one time escalation of 25% in the Insurance cost due to the following reasons:

- The high inflation in Europe and UK pushing the premiums northwards.
- The capacities had been shrinking and due to shortage of capital for the risk acceptance especially the Aviation and the Terrorism (Stand Alone terrorism)
- The Nat Cat (Natural Catastrophic) losses have increase world over in US, UK, Japan & Europe as well as Asia and the recent Earthquake.

8.2.46 The Authority noted that insurance covers were meant to mitigate risks that may arise and Premiums are calculated based on these risk factors. Therefore, the Authority proposed not to consider GIAL, Mopa, Goa's request of one-time escalation.

8.2.47 Further the Authority noted that GIAL, Mopa, Goa had also claimed Insurance expense at the rate of 0.09% (GAL calculated it by considering 25% escalation on the annual premium) on the total gross block for each tariff year along with the inflation of 5% from FY 2023-24. The Authority had reviewed the same and proposed to consider the expense at the same rate of 0.09% on the revised gross block of assets (refer Table 105) along with the inflation of 4% from FY 2023-24.

Security Expense

8.2.48 The Authority noted that GIAL, Mopa, Goa had entered into a security contract with M/s RAXA a related party, to deploy security personnel in all three shifts at the airport. The Authority had sought confirmation from GIAL, Mopa, Goa that due process as mentioned in para 2.5.8 has been followed as per appropriate governance practices and that Probity audit reports had been submitted to GoG and approved by GoG. GIAL, Mopa, Goa had confirmed the same.

8.2.49 Further the Authority observed that GIAL, Mopa, Goa had estimated the cost for FY 2023-24 based on the contract cost. The Authority as part of its analysis had obtained the security contract from GIAL, Mopa, Goa vide email dated 29th December 2022. The Authority proposed to consider the actual cost mentioned in the price schedule of the contract as the security expenses for all the years of the First Control Period.

8.2.50 The Authority was of the view that the contract with the security vendor already accounted for the growth factor. Therefore, the Authority proposed not to consider the pax growth for escalating the security cost for the First Control Period. However, in line with decisions made in the recent tariff orders, the Authority noted that there shall be a proportionate increase in the security cost due to the expansion of the airport. Hence, the Authority proposed to consider 25% (refer Table 109) increase due to area expansion in FY 2025-26.

Misc. Expenses

8.2.51 The Authority's analysis and observations for the Misc. Expenses submitted by GIAL, Mopa, Goa were as follows:

Table 118: Misc. Expenses analysis and observations by the Authority

(Rs. in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY28	Total	Basis adopted by the Authority
EHS	1.22	1.22	1.22	1.22	1.22	**6.11**	GIAL, Mopa, Goa had awarded the contract for Air monitoring and compliance management at Manohar International Airport, Mopa, Goa for Rs. 0.87 crores and Rs. 0.35 crore each year respectively and considered the contract value as the expense for First Control Period. The Authority proposed to consider the actual cost mentioned in the contract for each year of the First Control Period.
Trolley Management	1.54	1.60	2.08	2.16	2.25	**9.62**	GIAL, Mopa, Goa had awarded the contract for trolley management and considered the contract value as the base for estimating the expense for FY 2023-24. The Authority proposed to consider the actual cost mentioned in the price schedule of the contract for FY 2023-24. Further, the Authority proposed to consider 25% (refer Table 109) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the

Particulars	FY 24	FY 25	FY 26	FY 27	FY28	Total	Basis adopted by the Authority
							costs for the remaining period of the First Control Period.
Other Airside O&M	1.48	1.54	2.00	2.08	2.16	9.26	GIAL, Mopa, Goa had awarded the contract for Other Airside O&M and considered the contract value as the base for estimating the expense for FY 2023-24. The Authority upon reviewing the contract, proposed to consider the actual cost mentioned in the price schedule of the contract for FY 2023-24. Further, the Authority proposed to consider 25% (refer Table 109) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period.
Other TOPS	4.55	4.73	6.15	6.39	6.65	28.46	GIAL, Mopa, Goa had awarded the contract for Other TOPS services (includes services like solid waste management, medical, passenger guidance staff and porters etc.). The Authority upon reviewing the contract, proposed to consider the actual cost mentioned in the price schedule of the contract for FY 2023-24. Further, the Authority proposed to consider 25% (refer Table 109) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period. Further, the Authority vide email dated 21st August 2023, asked GIAL, Mopa, Goa about recovery of porter charges from the passengers, based on the cost included in TOPS. In response, GIAL vide email dated 23rd August 2023, clarified that that no such revenue accrued to GIAL from other TOPS services.

Particulars	FY 24	FY 25	FY 26	FY 27	FY28	Total	Basis adopted by the Authority
Lease Rental	14.49	14.76	14.76	14.76	14.76	73.53	Lease rentals projected by GIAL, Mopa, Goa pertain to leased equipment (Airfield fire crash tenders, Runway Friction Machine, Self-Baggage drop etc.) worth ~ Rs. 80 crores for which there is a lease rent of Rs 14.76 crores per annum. GIAL, Mopa, Goa had communicated that the leasing contracts were awarded through a bidding process. The Authority proposed to consider the GIAL, Mopa, Goa estimate for lease rental amount submitted for the First Control Period and expected that GIAL, Mopa, Goa has carried out a detailed cost benefit analysis for such leasing decision. The Authority expected GIAL, Mopa, Goa to submit the cost benefit analysis as part of stakeholders' comments.
UDF Collection Charges	3.44	3.93	4.80	5.90	6.66	24.72	Upon analyzing the UDF (User Development Fee) collection charges based on passenger traffic, the Authority observed that GIAL, Mopa, Goa had considered the total number of passengers instead of embarking passengers while calculating UDF collections charges. Upon seeking clarification, GIAL, Mopa, Goa submitted that the UDF collection charges have been assumed to be Rs. 5 per Departing and Rs. 5 per Arriving passenger, as GIAL, Mopa, Goa intended to charge UDF for both Arriving and Departing passengers. The Authority proposed to consider the same for the purpose of computation at Consultation Stage. However, this was to be decided based on the Stakeholders' comments at time of

Particulars	FY 24	FY 25	FY 26	FY 27	FY28	Total	Basis adopted by the Authority
							Consultation and the final tariff order.
Other Misc. expenses	2.38	2.48	2.58	2.68	2.79	**12.90**	GIAL, Mopa, Goa did not provide any basis or contract details for the estimate of other expenses, as mentioned in their submission. The Authority noted that there may be misc. expenses which will be incurred day to day to run the operations efficiently as it is a new airport. The Authority proposes to consider 50% of the GIAL, Mopa, Goa estimate for FY 2023-24. Furthermore, for the remaining period of the First Control Period, it was proposed to increase the estimates by 4% annually, in line with the inflation rate (WPI) from FY 2024-25.
Total Misc. Expenses	**29.10**	**30.25**	**33.58**	**35.19**	**36.49**	**164.60**	

8.2.52 Taking into the above factors into consideration, the Authority proposed the following Operating expenses for the First Control Period:

Table 119: Operating Expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Repair and Maintenance (para 8.2.34)	15.00	20.00	35.90	55.57	59.42	**185.89**
IT Operation related (para 8.2.39)	0.36	-	-	-	-	**0.36**
Enterprise IT (para 8.2.40)	2.72	2.83	2.95	3.06	3.19	**14.75**
Housekeeping expense (para 8.2.42)	10.77	11.20	14.56	15.14	15.75	**67.41**
Insurance (para 8.2.47)	3.20	3.34	3.93	4.09	4.27	**18.82**
Security expense (para 8.2.50)	13.96	15.56	19.92	22.40	23.46	**95.31**
Misc. expense (Table 118)	29.10	30.25	33.58	35.19	36.49	**164.60**
Total Operating Expenses	**75.11**	**83.18**	**110.83**	**135.45**	**142.57**	**547.14**

Allocation of Operating Expenses

8.2.54 Based on its analysis, the Authority observed that the allocation basis used by GIAL, Mopa, Goa for the components of Operating expenses was reasonable. As a result, the Authority proposes adopting the same allocation basis, taking into consideration the revised ratios detailed in para 8.2.1 (I).

8.2.55 Based on the aforementioned proposals the aeronautical Operating expenses proposed by the Authority for the First Control Period was as follows:

Table 120: Aeronautical Operating Expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Repair and Maintenance	14.29	19.06	34.21	52.95	56.63	**177.15**
IT Operation related	0.34	-	-	-	-	**0.34**
Enterprise IT	2.59	2.70	2.81	2.92	3.04	**14.06**
Housekeeping expense	9.69	10.08	13.10	13.63	14.17	**60.67**
Insurance	3.05	3.18	3.74	3.90	4.07	**17.93**
Security expense	12.57	14.01	17.93	20.16	21.11	**85.78**
Misc. expense	27.72	28.83	32.02	33.59	34.85	**157.01**
Total Aeronautical Operating Expense	**70.26**	**77.86**	**103.81**	**127.15**	**133.87**	**512.94**

Airport Operator Fees

8.2.56 The Authority had sought details of the agreement entered into for the Airport Operator fee. In response to the Authority's request via email dated 12th January 2023, GIAL, Mopa, Goa stated that they had not yet entered into an agreement for Airport Operations with a service provider.

8.2.57 The Authority noted that the Request for Quote (RFQ) floated by the GoG for the Development of Greenfield International Airport at Mopa, Goa had included a clause stating that the bidders must possess relevant experience, which will be evaluated by the Authority to assess their Technical Capacity/ O&M capabilities and only then the bidder shall be eligible to bid for the Request for Proposal (RFP). The clause is reproduced below:

"2.2.2 To be eligible for pre-qualification and shortlisting, an Applicant shall fulfill the following conditions of eligibility:

(A)Technical Capacity: For demonstrating technical capacity and experience (the "Technical Capacity"), the Applicant shall, have:

(i) Developed at least 1 (one) Eligible Project during the Development Period in Category 1(A) and/or Category 1(B) as specified in Clause 3.2.1 ("Development Experience"); and

(ii) Operated at least 1 (one) Eligible Project during the Operation Period in Category 2 as specified in Clause 3.2.1 ("Operation Experience")."

8.2.58 Furthermore, the Authority noted that the holding company GAL (GMR Airports Limited), based on their successful management of airports such as DIAL and HIAL has the necessary experience and capability to operate Manohar International Airport, Mopa, Goa and the past experience is the reason rendering them technically competent.

8.2.59 Based on a combined reading of the above, the Authority proposed not to consider the Airport Operator Fee for the purpose of tariff determination for the First Control Period of Manohar International Airport, Mopa, Goa.

Total O&M Expenses proposed by the Authority

8.2.60 After incorporating the above observations by the Authority, the revised Total O&M expenses for Manohar International Airport, Mopa, Goa for the First Control Period had been presented in the table below:

Table 121: Total O&M expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Authority's Proposal							GIAL, Mopa, Goa's Submission (B)	Diff = (C=B-A)
	Ref	FY24	FY25	FY26	FY27	FY28	Total (A)		
Manpower Expenses (A)	Table 110	**54.26**	**57.52**	**74.38**	**78.85**	**83.58**	**348.58**	**500.86**	**152.28**
Admin and General Expense							-	-	-
Rates & Taxes	Table 112	1.78	1.85	2.40	2.50	2.60	**11.12**	**11.86**	**0.74**
Corporate cost allocation		3.75	3.90	4.06	4.22	4.39	**20.31**	**41.45**	**21.14**
CSR		-	-	-	-	-	-	**10.15**	**10.15**
Bank Charges		0.60	0.62	0.65	0.67	0.70	**3.25**	**5.53**	**2.28**
Consultancy		10.00	10.40	10.82	11.25	11.70	**54.16**	**104.90**	**50.74**
Travel		1.97	2.05	2.13	2.22	2.30	**10.67**	**11.74**	**1.07**
Advertisement		8.50	8.84	4.60	4.78	4.97	**31.69**	**75.38**	**43.69**
Auditor & Director Fee		0.53	0.55	0.57	0.60	0.62	**2.87**	**2.91**	**0.04**
Office Maintenance etc.		17.55	18.25	23.73	24.67	25.66	**109.86**	**118.16**	**8.30**
Total Admin and General Expense (B)		**44.67**	**46.46**	**48.95**	**50.91**	**52.94**	**243.93**	**382.07**	**138.14**
Utility Expense							-	-	-
Electricity	Table 115	23.76	24.60	32.46	33.65	34.88	**149.35**	**233.43**	**84.08**
Water	8.2.30	1.24	1.47	1.87	2.39	2.81	**9.78**	**10.02**	**0.24**

Particulars	Authority's Proposal							GIAL, Mopa, Goa's Submission (B)	Diff = (C=B-A)
	Ref	FY24	FY25	FY26	FY27	FY28	Total (A)		
Total Utility Expense (C)	Table 116	**25.00**	**26.07**	**34.33**	**36.04**	**37.69**	**159.13**	**243.46**	**84.33**
Operating Expenses							-	-	-
Repair and Maintenance	8.2.34	15.00	20.00	35.90	55.57	59.42	**185.89**	**299.26**	**113.38**
IT Operation related	8.2.39	0.36	-	-	-	-	**0.36**	**0.36**	-
Enterprise IT	8.2.40	2.72	2.83	2.95	3.06	3.19	**14.75**	**24.50**	**9.75**
Housekeeping expense	8.2.43	10.77	11.20	14.56	15.14	15.75	**67.41**	**85.52**	**18.11**
Insurance	8.2.47	3.20	3.34	3.93	4.09	4.27	**18.82**	**22.69**	**3.87**
Security expense	8.2.50	13.96	15.56	19.92	22.40	23.46	**95.31**	**112.36**	**17.05**
Misc. expense	Table 118	29.10	30.25	33.58	35.19	36.49	**164.60**	**207.21**	**42.61**
Total Operating Expense (D)	Table 119	**75.11**	**83.18**	**110.83**	**135.45**	**142.57**	**547.14**	**751.89**	**204.75**
Airport Operator Fee (E)	8.2.59	-	-	-	-	-	-	**154.61**	**154.61**
Total O&M expense (F)= (A)+(B)+(C) +(D)+(E)		**199.05**	**213.23**	**268.49**	**301.24**	**316.77**	**1,298.78**	**2,032.90**	**734.12**

8.2.62 The Authority noted that for most of the components of O&M expenses, the allocation basis adopted by GIAL, Mopa, Goa was in line. However, the ratios were revised by the Authority due to which the distribution of expenses among different components has been adjusted accordingly. Thus, considering the revision in ratios and allocation basis, the Authority proposed the following aeronautical O&M expenses for the First Control Period of the Manohar International Airport, Mopa, Goa.

Table 122: Aeronautical O&M expenses proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Authority's Proposal							GIAL, Mopa, Goa's Submission (B)	Diff (C=B-A)
	Reference	FY24	FY25	FY26	FY27	FY28	Total (A)		
Manpower Expenses (A)	Table 111	**51.95**	**55.06**	**71.21**	**75.48**	**80.01**	**333.71**	**469.75**	**136.04**
Admin and General Expense								-	-
Rates & Taxes	Table 114	1.61	1.68	2.19	2.27	2.36	**10.12**	**10.91**	**0.79**
Corporate cost allocation		3.59	3.73	3.88	4.04	4.20	**19.44**	**39.13**	**19.68**
CSR		-	-	-	-	-	-	**10.15**	**10.15**
Bank Charges		0.57	0.59	0.62	0.64	0.67	**3.10**	**5.39**	**2.29**
Consultancy		9.53	9.91	10.31	10.72	11.15	**51.62**	**102.33**	**50.72**
Travel		1.89	1.96	2.04	2.12	2.21	**10.21**	**11.09**	**0.87**
Advertisement		7.65	7.96	4.14	4.30	4.47	**28.52**	**68.63**	**40.11**
Auditor & Director Fee		0.51	0.53	0.55	0.57	0.59	**2.74**	**2.83**	**0.09**
Office Maintenance etc.		16.72	17.39	22.61	23.51	24.46	**104.70**	**115.27**	**10.58**
Total Admin and General Expense (B)		**42.07**	**43.76**	**46.33**	**48.18**	**50.11**	**230.44**	**365.73**	**135.29**
Utility Expense								-	-
Electricity	Table 115	19.07	19.72	25.80	26.72	27.68	**118.99**	**233.42**	**114.43**
Water	8.2.30	0.94	1.12	1.42	1.82	2.14	**7.44**	**10.02**	**2.58**
Total Utility Expense (C)	Table 117	**20.01**	**20.84**	**27.22**	**28.54**	**29.81**	**126.43**	**243.44**	**117.01**
Operating Expenses								-	-
Repair and Maintenance		14.29	19.06	34.21	52.95	56.63	**177.15**	**291.94**	**114.80**
IT Operation related		0.34	-	-	-	-	**0.34**	**0.35**	**0.01**
Enterprise IT		2.59	2.70	2.81	2.92	3.04	**14.06**	**23.89**	**9.84**
Housekeeping expense		9.69	10.08	13.10	13.63	14.17	**60.67**	**77.84**	**17.17**
Insurance		3.05	3.18	3.74	3.90	4.07	**17.93**	**22.14**	**4.20**
Security expense		12.57	14.01	17.93	20.16	21.11	**85.78**	**102.29**	**16.51**

Particulars	Authority's Proposal							GIAL, Mopa, Goa's Submission (B)	Diff (C=B-A)
	Reference	FY24	FY25	FY26	FY27	FY28	Total (A)		
Misc. expense		27.72	28.83	32.02	33.59	34.85	157.01	203.45	46.45
Total Operating Expense (D)	Table 120	**70.26**	**77.86**	**103.81**	**127.15**	**133.87**	**512.94**	**721.91**	**208.97**
Airport Operator Fee (E)	8.2.59	-	-	-	-	-	-	**143.16**	**143.16**
Total O&M expense (F)=(A)+(B)+(C)+(D)+(E)		**184.29**	**197.51**	**248.56**	**279.35**	**293.80**	**1,203.51**	**1,944.00**	**740.49**

8.2.63 Key changes made by the Authority in Operation & Maintenance expenses relate to:

- Rationalization of Employee Expenses – Rate of increase and headcount for expansion
- Rationalization of Consultancy Charges.
- Rationalization of Electricity Charges based on analysis of actual consumption trends.
- Reduction in estimate of Repairs & Maintenance Expenditures considering that the assets are newly commissioned and covered by Defects Liability for a couple of years.
- Non-consideration of Airport Operators Fee.

8.2.64 The Authority expected Airport Operator to bring in efficiencies in the incurrence of O&M expenses for the benefit of airport users and in line with AERA Act, AERA Guidelines and International Civil Aviation Organization (ICAO) Principles.

8.3 Stakeholders' comments regarding Operating & Maintenance Expenses for the First Control Period

GIAL's comments regarding Operating & Maintenance Expenses for the First Control Period:

8.3.1 GIAL's comments regarding basis of projections are as follows:

The expansion factor for both capacity and area should be considered for the basis of projection wherever applicable. Capacity should also be an expansion factor to be considered in some cases.

Considering Mopa to be a newly developed Greenfield airport, technological advancements would not have much impact on the area expansion. This is because technological advancements have already been taken into consideration for development. So, the terminal area expansion should not be factored in by 67%. Instead, for initial phase expansions, the expansion factor should be in proportion to the area increased for the phase.

8.3.2 GIAL's comment on basis of allocation into aero and non-aero are as follows:

A. *Gross Block Ratio: The capitalization that has been done for Phase 1 is the actual capitalization, whereas the capitalization of assets in the subsequent years are estimated numbers. Hence, we request AERA to consider the actual capitalization numbers for Phase 1 as the basis for Gross Block Ratio.*

B. Terminal Building Ratio: The aeronautical/non-aeronautical areas used to calculate Terminal Building ratio are actual areas which are part of the Master Plan and have been approved by the Govt. of Goa. Also, the comparison of the Terminal Building Ratio with other PPP airports like DIAL, GIAL, BIAL and HIAL is not prudent as these airports are stable airports which are into their 3rd Control Period with higher traffic numbers, whereas Mopa is a newly developed Greenfield airport which is into its 1st Control Period. Hence in this case, there is a need to first establish GGIAL as a world-class airport which can attract maximum passengers to the airport. Once this is established, more passengers will use the GGIAL, which in turn will attract more non-aeronautical activities at the airport. Taking all this into consideration, GGIAL has carefully analyzed the terminal building distribution and has come up with the most optimum ratio of 91.03%:8.97%. The ratio submitted is based on the actual terminal building allocation based on the master plan and hence, should be considered basis actual only.

8.3.3 GIAL's comments regarding manpower expenses are as follows:

The increase for Phase-3 has been inadvertently considered by AERA as 22%, whereas the actual increase for Phase-3 to be considered is 25%. This is as per Para 8.2.14 and Table 91 of the CP, as calculated by the Authority. We request the Authority to please use the correct factor as per their own calculation.

We have submitted to AERA the actual no. of employees vide our mail dated 7th July 2023 specifying actual no of employees as on Mar-23 & July-23 as 328 and 353 respectively. However, while allowing manpower expenses, the Authority has considered only 328 employees and has ignored the fact that our headcount has increased to 353 as on July-23 itself. It is requested to kindly consider actual no. of employees as on Jul-23 for computing Manpower expenses.

The Manpower expense rate should be increased by Inflation also. The combined growth rate should include Real growth and Inflation. GGIAL is a new airport, which needs to build its manpower to run the airport operations. GGIAL needs to hire all people from outside who get on-boarded at minimum 25% salary hikes. Moreover, suitable personnel available for the aviation sector are very limited and it is very difficult to get the skilled workforce for airside and terminal operations and safety activities. So, a decent compensation is imperative to obtain and retain competent employees. If inflation is not considered in manpower expense, this affects the hikes in salaries of employees.

This is a hypothetical situation and does not reflect the actual on-ground situation as hikes are a part and parcel of salary component. Hence, we request AERA to consider both the real growth as well as inflation in manpower expenses.

We have observed growth rate of 14% to ~16% in Consultation papers in case of ISPs. Some of the orders are presented below:

MABPL's Cargo Handling Business at KIA, Bangalore

As regard to the normal YoY increase in payroll costs is concerned, the Authority has considered 10% annual escalations as proposed by the ISP. However, the Authority has considered 4% YoY increase on account of projected increase in the cargo volumes as against the 6% increase on YoY basis proposed by the ISP. In this regard, the Authority is of the view that payroll costs will not increase in the same proportion as the projected YoY% increase in cargo volumes, particularly considering that there are many categories of employees, like top management, employees providing support services viz. HR, Finance, Security Jobs etc., whose numbers don't increase with the projected increase in the cargo volumes. Accordingly, the Authority has considered overall 14% YoY increase in the payroll costs for the First Control Period from FY 2024-25 onward.

Based on the above analysis, the payroll costs (excluding HQ cost allocation) proposed to be considered by the Authority for the ISP in respect of the First Control Period, is given below:

Payroll costs proposed to be considered by the Authority for the First Control Period

Particulars	*FY 23-24*	*FY 24-25*	*FY 25-26*	*FY 26-27*	*FY 27-28*	*Total*
Payroll costs	*46.09*	*61.47*	*70.08*	*70.89*	*91.07*	*348.60*

WFSBPL Cargo Handling Business at KIA, Bangalore

The justifications submitted by WFSBPL for upliftment of 25% in payroll costs for each category of employees, over and above the category-wise average salary calculations, are not convincing and obscure; as the baseline salary for each category of employees had already been worked out by the ISP considering all the relevant factors, moreover baseline salary is further subject to annual increments & increase in minimum wages etc.

In addition, as per the ISP, the majority of cargo employees falls under the unskilled labour category whose wages are governed under the minimum wages, notified by Government Authorities from time to time, and annual increase in minimum wages is generally lower than the YoY increase considered by the ISP for these employees.

Besides above, it is also observed that the ISP linked historical WPI-Manufacturing with increase in minimum wages and has worked out projected inflation in payroll expenses @ 14.2%, based on ratio of historical increase in minimum wages with historical increase in WPI manufacturing (FY 12 to FY 22). It is not appropriate to compare and link increase in price of commodities (WPI manufacturing) with increase in price of services (minimum wages).

In view of the above, the Authority proposed to rationalize the payroll expenses projected by the WFSBPL, by excluding upliftment of 25% in salaries for all employees, considered by the ISP for the first Tariff Year. Accordingly, payroll expenses for the ISP have been worked out at ₹ 32.13 crores (annualized) by the Authority, as against Rs. 40.12 crores proposed by the ISP for the FY 2023-24.

However, as regard to Y-o-Y increase in payroll costs considered by the WFSBPL, the Authority considered the projected increase in cargo volumes, increase in minimum wages and annual salary increments and also taking into account the projected Y-o-Y increase in the revenues which is in line with the projected Y-o-Y increase in payroll costs, proposes to consider Y-o-Y increase in payroll expenses as proposed by the ISP.

The Authority solicits specific comments of Stakeholders on the payroll costs projected by the ISP for the First Control Period. "

8.3.4 GIAL's comments regarding Custom cost recovery charges in respect of staff posted at Mopa are as follows:

The Custom's department has posted staff at the Manohar International Airport, wherein the cost has to be reimbursed by GGIAL for such deployment. Accordingly, the Custom's department has sanctioned Twenty-Eight (28) temporary posts on cost recovery basis for Manohar International Airport, Mopa as per CRB ORDER NO. 54/2022 (Creation of posts) issued vide F. No. EMC/Exp M/CRB/CRP/10/2022-EMS-Oo Pr ADG-EMC-DGHRD.

As per the conditions enumerated in the above letter, the posts would be filled only after depositing the entire costs of the posts, which is 1.85 times the monthly average salary of the posts plus D.A, H.R.A. etc., by the custodian, in advance.

Further, GGIAL is advised vide letter dated 19-06-2023 to deposit the cost recovery charges amounting to Rs. 1.37 crores for the current quarter immediately as per the calculation sheet enclosed for deployment of staff at Manohar International Airport, Mopa. In this regard we have already paid Rs. 1.37 crores vide DD dated Jun 28, 2023.

While filing our MYTP we did not capture above mentioned expenses as we received the notification post filing of our MYTP. The estimated cost per annum is Rs. 5.48 crores without inflation. Hence, the Authority is requested to consider the above-mentioned expenses while issuing the CP-1 order.

8.3.5 GIAL's comments regarding Admin and general expenses are as follows:

A. ***Bank charges:*** *GGIAL has proposed bank charges including performance bank guarantee and the other charges related to term loans. The Authority has not allowed the other bank fee relating to the term loans in operational expenses and proposed to consider in the RAB. It seems that the same is not added to the RAB as well. We request the Authority to either consider as a part of the Regulated Asset Base (RAB) or operational expenses.*

B. ***Consultancy and Legal:*** *GGIAL's response to individual items where cost items have not been accepted by AERA are as follows.*

#	Item and amount not considered	AERA reasoning	GGIAL Response
1.	Pax Exp	The Authority understands the importance of establishing a brand presence and enhancing the image of the Airport. The Authority notes that however, the costs needs to be spent efficiently. The Authority proposes to rationalize the cost estimates submitted by 50% for these initiatives.	Goa is the first of its own kind in the country with dual airport within a distance of ~60 Kms, which effectively will lead to competitive environment. Hence, it is of paramount importance for us to hear our passengers voices along with brand presence and creating positive image of our Airport among our customers including passengers. This head of expense includes presence in digital media with active interaction with all our stakeholders specially passengers, so that we can hear their voices and improve on our performances. Such expenses cannot be one-time expense but an ongoing expense as in a competitive environment we need to improve upon regularly and gauge the competition. Media are one of the important means of obtaining passenger feedback on services provided in real time and taking immediate corrective action on ground. These media also help in responding back to customer with action taken on their feedback thereby providing them enhanced experience and satisfaction. Soliciting feedback from passengers in all forms and means and action upon them expeditiously is also a service quality requirement as per the Concession Agreement. The above expenses also include the signages, hoarding, way finding costs. Currently our airport has only one access road and with operationalization of NH 166S (Expressway connecting NH 66 to Mopa Airport), we will have to maintain signages/hoardings/way finding on both the access roads. The same will not only require a one-time expense but will have to maintained / replaced on need basis. Also considering extreme weather in Goa and the upcoming expressway which is an elevated road, the cost of maintenance of such signages/branding will have to be accounted.
2.	IT Related Expenses	Regarding IT-related expenses, the Authority	IT costs considered are only for operational phases. SAP license fees and cost towards other licenses form

#	Item and amount not considered	AERA reasoning	GGIAL Response
		notes that GIAL, Mopa, Goa has already considered the costs associated with implementing efficient and secure IT infrastructure, as well as the SAP Licensee fee, under IT related expenditure and Enterprise IT category respectively. While there are bound to be costs relating to Solar Panel, CCTV etc. the Authority proposes to rationalize these by 50% from the estimates provided as other costs are considered by the Authority.	*the major component and are basis the manpower projections and taking into account the actual cost per license including the AMC.* *Manohar International Airport is a digital Airport and aims to become a paperless organization in due course of time, which is not possible unless we digitize everything, which will require a robust IT infrastructure setup. The same will also help us in becoming Green Airport as per compliance to Hon'ble SCI directions.*
3.	*Human Resource*	*During the initial stages of a new airport, it is common to outsource certain manpower requirements to achieve flexibility and benefit from specialized expertise across various functions. However, the Authority notes that GIAL has already appointed employees to provide similar services for which outsourcing manpower costs are proposed. In light of this, the Authority proposes to rationalize the estimated outsourcing manpower cost submitted by GIAL, Mopa, Goa to 50%.*	*These costs are basis the actuals. Although GGIAL has hired professional basis their expertise. However, being a Greenfield Airport at Mopa Plateau in a competitive environment, we would request the Authority to reconsider these costs. GGIAL will try to rationalize these costs once we stabilize the operations with minimum 2 monsoon seasons.*
4.	*Planning & Others*	*The Authority proposes not to consider the cost estimate submitted by GIAL, Mopa, Goa for Professional and*	*The costs pertaining to Planning are for operations phase. With an objective to become a fully digitized Airport, MIA have already implemented Aconex (by Oracle) for correspondence and Documentation Management System. PO issued to Oracle for the*

#	Item and amount not considered	AERA reasoning	GGIAL Response
		Planning consultancy charges as the costs of planning are already part of the Capital costs.	same. Also, to make the system more efficient GGIAL intends to create an ecosystem to generate Auto MIS for ready reference of Key Management, which will include creating a data lake, integration with Power BI, etc.

*C. **Advertisement:***

Considering first Dual Airport in the country within a distance of 60 Kms, and with expansion program of Dabolim, the advertisement expense is likely to continue. At this stage of the airport, it is imperative for GGIAL to promote the shifting of airlines to the airport where such expenses are much required. Also, the Advertisement expenditure during initial two years will be higher. Hence would request the Authority to reconsider their decision to reduce the said expense.

GGIAL is in its 1st Control Period and given the element of competition against Dabolim airport which is already in its 3rd Control Period, GGIAL needs to carry out advertisement initiatives to improve its footfall continuously. This will give the airport greater traction, and this is particularly important in case of a greenfield airport. The Authority has reduced the expenditure from the third year onwards by 50%. However, the competitive environment for GGIAL will continue throughout the control period wherein it is most important to attract traffic to our airport and hence such expenses would be necessary. Hence, we request the Authority to please accept the advertisement expenses as proposed by GGIAL for the first control period.

8.3.6 GIAL's comments regarding operating expenses are as follows:

*A. **R&M:***

Obligations under the Defect Liability Period (DLP) are discrete and independent to the services required to be performed for regular Engineering and Maintenance (E&M) activities of the Airport. While the DLP obligations are to be undertaken by the respective project contractors / OEM for limited period (2 Years after completion of construction works), the E&M services are to be performed on a day-to-day basis by separate agency (ies) post operationalization. Given below are the scope of services under DLP and E&M obligations, clearly distinguishing the nature of these activities.

1) DLP obligations

Defect liability period shall cover activities to carry out rectification of defects, if any, observed during DLP period of two years. "Defect(s)" means any imperfection or deficiency in doing, manufacturing or workmanship which results in any of the Permanent Works, being not in conformity with Prudent Industry Practices, the specifications and standards and terms of the respective construction contracts.

2) Engineering and Maintenance obligations

GGIAL has appointed M/s GADL (Contractor) to carry out regular Engineering & Maintenance activities (Services) for regular operation of the Airport, under a comprehensive services agreement.

As defined in the above agreement, the "Services" shall include the services related to Engineering & Maintenance of Airport Facilities. Contractor shall be fully responsible for engineering & maintenance services as required for operating the Airport in most efficient, safe & environment friendly manner, fully complying with all Statutory requirements and applicable law. The objective is to have Comprehensive Maintenance of all the Airport Facilities operated and maintained based on International standards and practices to ensure serviceability above 97%. The Contractor shall also abide by the Civil Aviation Requirements (CAR) and Aerodrome Design Manual (ADM) provisions for Serviceability of Airfield assets. Services includes material, manpower, spares, consumable, tools and machineries and any other systems and/or services that are required for the comprehensive Maintenance of the Airport Facilities to achieve serviceability above 97%. Hence the two cannot be considered as an overlap.

GGIAL has informed the Authority that the contract for the R&M services has been awarded through competitive bidding and the contract has already been submitted for reference along with the process for selection. The cost as proposed by GGIAL is in line with the contract entered and submitted to the Authority.

The Authority is correct to point out that GGIAL is a new airport in its 1st Control Period. That is the reason why GGIAL had proposed R&M costs in the range of 1.13% to 2.30% of the net block. The Authority in its recent orders has allowed various airport operators including Ahmedabad, Lucknow, Mangalore and Srinagar R&M costs upto 6% of the net block. Given that the airport has been built recently, GGIAL is requesting for significantly lower R&M costs (around 3.70% to 4.83% lower) than other airports. Any further reduction on the already reduced value that GGIAL has proposed will result in under-estimation of the R&M costs. Hence, we request the Authority to kindly accept the R&M Cost that GGIAL has proposed.

B. *Payments to IT operators due to non-collection of CUTE charges (WAISL):*

While filing MYTP we have considered recovery of CUTE charges w.e.f. 1st April 2023. However, since the actual CUTE charges recovery has not yet started, the Authority is requested to consider incremental amount payable to the IT operator under "Minimum support to IT Company" based on CUTE charges that are allowed by the Authority to be recovered by the Airport Operator.

C. *Housekeeping Charges:*

GIAL, Mopa, Goa has awarded the contraet of the housekeeping to various vendors and considered the contract value as the base for estimating the housekeeping expense for FY 2023-24 and thereafter considered expansion growth and inflationary increase. The Authority as part of its analysis had obtained the housekeeping contract from GIAL, Mopa, Goa vide email dated 29th December 2022. The Authority, upon reviewing the contract, proposes to consider the actual cost mentioned in the price schedule of the contract as the housekeeping expenses for FY 2023-24.

Further, the Authority proposes to consider 25% (refer Table 91) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period.

While considering the actual mentioned in price schedule of contract for FY 2023-24, the Authority considered Rs. 10.77 crores. However, actual amount in price schedule of contract comes to Rs. 12.42 crores the Authority is requested to consider same while allowing Housekeeping Expenses.

D. *Miscellaneous expenses:*

Other TOPS:- GIAL, Mopa, Goa has awarded the contract for Other Tops services (includes services like solid waste management, medical, passenger guidance staff and porters etc.). The Authority, upon reviewing the contract, proposes to consider the actual cost mentioned in the price schedule of the 52 contracts for FY 2023-24. Further, the Authority proposes to consider 25% (refer Table 91) *increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period.*

While considering the actual mentioned in price schedule of contract for FY 2023-24, the Authority considered Rs. 4.55 crores. However, the actual amount in the price schedule of the contract comes to Rs. 5.75 crores the Authority is requested to consider same while allowing Other TOPS.

8.3.7 GIAL's comments regarding Airport Operator fee:

During the stage of competitive bidding, for satisfying the technical qualification criteria, the Bidding entity either uses the experience of having ownership of similar sized Airports or it ties up with specialized Airport Operators providing O&M services. For e.g. During bidding for Goa Project, GMR Airports Limited qualified basis its ownership in Delhi and Hyderabad Airports.

Post winning, the bidding entity incorporates the SPV that takes up the role of developing & operating the Airport asset. For e.g., GAL incorporated GGIAL for developing and operating Goa Airport.

While SPV employs the requisite skilled and experienced staff to undertake the work of development & operation of the Airport, there are various aspects associated with the same that require specialized knowledge and expertise in the field.

The Parent company or Holding company owing to its experience of developing and operating several airports has developed the requisite skill set and knowhow of various streams like technical, commercial, regulatory, financing, quality, passenger experience etc. over a period of several years.

The services that will be provided by the Parent Company or Holding Company are as below:

1) *Strategic guidance and support to GGIAL in preparation of master plan and oversight support to GGIAL for O&M in various critical airport related functions like aero operations, cargo operations, terminal retail, car parking, slot management etc.*
2) *Assisting GGIAL in preparation of management systems and plans and institutionalizing the system for continuous review of each major aspect of airport operations*
3) *Providing guidance and assistance in revenue generating areas like airline marketing, regulatory, non-aero strategy development and deployment, airport land development strategy development and deployment*
4) *Assisting GGIAL in implementing various systems pertaining to revenue management, contract management,*
5) *Providing strategic guidance and support in raising finances, passenger experience, Security, marketing & branding support, Environment management, Insurance, taxation etc.*

These are critical services for operating the airport. For providing these services, the Parent Company which acts as the O&M Operator needs to be reimbursed, generally in the form of a % of Gross Revenue. This fee is primarily to compensate for the efforts of providing the services and technical knowhow and also incentivizes the O&M Operator to work together with the SPV staff in bringing the best practices at the airport and enhance the passenger experience and revenues.

In view of the above, we request AERA to accept the Airport Operator Fee as proposed by GGIAL.

Other Stakeholders' comments regarding Operating & Maintenance Expenses for the First Control Period:

8.3.8 APAO's comments regarding Repair and Maintenance Expenses are as follows:

We notice that AERA has only partly allowed the Repair and Maintenance expenses for GGIAL. It is pertinent to mention that since GGIAL has followed a competitive bidding process to arrive at such costs, hence, the price discovery has already been undertaken in the process. Given that the expenses are a *market discovered rate, no further disallowance of such expenses should be resorted to by AERA and the expenses contracted should be considered in calculation of the ARR.*

8.3.9 APAO's comments regarding Airport Operator fee are as follows:

During the stage of competitive bidding, for satisfying the technical qualification criteria, the bidding entity either uses the experience of having ownership of similar sized Airports or it ties up with specialized Airport Operators providing O&M services e.g., during the bidding for the Mopa project, GMR Airports Ltd qualified on the basis of its ownership in Delhi & Hyderabad Airports. Post winning, the bidding entity incorporates the SPV that takes up the role of developing & operating the Airport asset. While SPV employs the requisite skilled and experienced staff to undertake the work of development & operation of the Airport, there are various aspects associated with the same that require specialized knowledge and expertise in the field.

The parent company or the holding company owing to its experience of developing and operating several airports has developed the skill set and knowhow of various streams like technical, commercial, regulatory, financing, quality, passenger experience etc. over a period of several years.

This Airport operator fee is primarily to compensate for the efforts of providing the services and technical knowhow and also incentivizes the O&M Operator to work together with the SPV staff in bringing the best practices at the airport and enhance the passenger experience and revenues. Hence, we earnestly request the Authority to kindly consider the Airport operator fees as proposed by GGIAL.

8.3.10 FIA's comments regarding power cost are as follows:

While we are in agreement with AERA that as GIAL gradually expands its non-aeronautical operations, it should also proportionately increase the power recovery charges from Concessionaires. Thus, GIAL is requested to constitute a committee to verify the bills relating to Power expenses and submit a report on the same to AERA, for greater transparency.

8.3.11 FIA's comments regarding expansion increase are as follows:

It is observed in para 8.2.14 of the CP, AERA has considered an area expansion in phase 2 & phase 3 as the incremental factor instead of cost of terminal.

FIA submits that there may be an error in calculating expansion growth at 7% in this regard, as AERA have considered "Cost of terminal building" for calculation of phase-2 expansion growth instead of terminal area (in sqm). It may also be pertinent to note that GIAL have not proposed such an increase in the terminal building area ratio from phase 1 to phase 2.

In view of the above, it is submitted that this expansion increase should be studied another in cost driver resulting from area increase rather than estimating proportional increase, without any basis.

8.3.12 FIA's comments regarding Operating & Maintenance Expenses are as follows:

FIA submits that, in para 8.2.17, AERA for the purposes of estimating manpower expenses have considered 6% growth rate, with 7% and 22% incremental growth on account of Terminal expansion of Phase II and Phase III respectively. However, it is to be noted that the percentage of manpower cost proposed by AERA is highest in case of GIAL as compared to other airports namely HIAL, DIAL & KIAL.

Further, in FY26 AERA have considered the increase of 22% which is almost equivalent to Terminal area increase. It is important to highlight that the manpower expenditure is semi-fixed in nature and do not increase proportionately. Hence, a 22% increase is an aggressive estimate without any independent study.

Further FIA requests AERA to not provide such huge escalations, particularly as most of the equipment would be brand new and under warranty, for the following:

(i) Repairs & Maintenance expenses (particularly between approx. 33% to 79 % between FY FY25 and FY27)
(ii) Utilities Expenses (particularly approx. 31% in FY 26)
(iii) Operating expenses. (particularly approx. 33% in FY 26)
(iv) Manpower (particularly approx. 29% in FY 26)

Further, it may be noted that AERA have provided CSR expenses in full. However, as per the explanation provided in Table 94 of the CP, AERA had disallowed the same as it is dependent on the profitability. Hence, it is submitted that the same shall be disallowed from the admin and general expenses.

Further, it may be noted that, AERA accepts that to assess the accuracy, reasonableness and estimate of expenses in First Control Period of a greenfield airport is challenging, at O&M expenses is one of the key building blocks. It is pertinent to note that the current estimate of O&M expenses appears to be subjective as no data has been provided and will result in over recovery of ARR in next control period under garb of True up. FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, GIAL, BIAL that while truing up the O&M in subsequent control periods, it always leads to over-estimation which has been observed leading to higher tariff in past control periods.

In view of the above, it is submitted that this expansion increase should be studied basis the number of incremental manpower required for area increase and their designation and corresponding cost rather than estimating proportional increase.

We further submit that, while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not appear prudent considering the significant losses incurred by the aviation sector.

In view of the aforementioned reasons, we request AERA to conduct an independent study to determine the true value of the O&M expenses before approving the tariff for the First Control Period.

8.3.13 FIA's comments regarding cost of airport operations are as follows:

We submit that cost of operations for the airlines is increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment.

At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years. While economies of scale are a big factor for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge benefits for the airport operators as well due to economies of scale.

Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period). It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business, but also force airlines to pay tax on tax for availing services though multi-layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified.

8.3.14 LIAL's comments regarding Repair and Maintenance Expenses are as follows:

In some of the recent orders issued, the Authority has assessed efficient cost of Repair and Maintenance as certain % of Opening RAB or as proposed by Airport Operator whichever is lower. We understand that the Repairs and Maintenance proposed by GOA, MoPA Airport is less than the Authority's prescribed efficient cost limit. Further it is understood that GOA, MoPA Airport has proposed the cost *based on the competitive bidding process undertaken, hence, the price discovery has already been established.*

Since the expenses proposed are market discovered rates and also less than the limits applied by the Authority in recent tariff orders, it is inconsistent on the part of the Authority to reduce the expenses proposed by the Airport Operator. We hereby request the Authority to allow Repairs and Maintenance as proposed by the GOA, MoPA Airport.

8.4 GIAL's response to stakeholders' comments regarding Operating & Maintenance Expenses for the First Control Period

8.4.1 GIAL has responded to FIA's comments regarding utility expenses as follows:

FIA requested AERA to proportionately increase the power recovery charges from Concessionaires and constitute a committee to verify the bills relating to Power expenses and submit a report on the same to AERA, for greater transparency. In this regard it is stated that Goa has projected power costs, factoring in the recoveries received from the Concessionaires, which are estimated to be an average of 24% of the total power cost. This recovery percentage is determined by considering a 20% recovery on the total units of power consumed and another 20% recovery on the Per unit rate of power from the concessionaires. Since recovery is based on percentage (%), once GGIAL gradually expands its non-aeronautical operations, proportionate increase the power recovery charges from Concessionaires is bound to happen.

8.4.2 GIAL has responded to FIA's comments regarding area expansion as follows:

FIA has mistakenly mentioned that GGIAL has not proposed expansion growth on from phase 1 to phase 2. In this regard, it is stated that GGIAL proposed 10% for Phase 2 Expansion (FY 2024) and 22% for Phase 3 Expansion (FY 2026). We also recognize that the increase in expenses may not be directly proportional to the increase in the capacity due to factors such as technological innovations, advancements, and economies of scale, accordingly we proposed 50% of capacity expansion for phase 3, which comes to 22%. Even the Authority itself computed Phase 2 & 3 expansion based on cost & area increase for phase 2 & phase 3 as 7% & 25%, respectively. Further, the Authority noted that GGIAL, Mopa, Goa has claimed 22% expansion increase in FY 2025-26, which the Authority found to be reasonable and justified with its own analysis. Hence, the Authority proposed to allow the same.

8.4.3 GIAL has responded to FIA's comments regarding manpower expenses as follows:

FIA requested AERA to note that the percentage of manpower cost proposed by AERA is highest in case of GIAL as compared to other airports namely HIAL, DIAL & KIAL.

GGIAL is a new airport, which needs to build its manpower to run the airport operations. GGIAL needs to hire all people from outside who get on-boarded at minimum 25% salary hikes. Moreover, suitable personnel available for the aviation sector are very limited and it is very difficult to get the skilled workforce for airside and terminal operations and safety activities. So, a decent compensation is imperative to obtain and retain competent employees.

Further, we also agree with FIA that manpower expenditure is semi-fixed in nature and do not increase proportionately accordingly we proposed only 50% of capacity expansion for phase 3 (from 7.7 mppa to 11.1 mppa) which comes to 22%.

8.4.4 GIAL has responded to FIA's comments regarding Other O&M expenses as follows:

FIA is misleading the Authority by specifying that huge escalation is provided in case of expenses like Repair & maintenance expenses, Utilities expenses, operating expenses and manpower. In this regard it is stated that FIA is misinterpreting the expansion factor as escalation. Further, Repair and Maintenance expenses has already been reduced by AERA in spite of the fact that we already have entered into an *agreement with a selected vendor based on competitive bidding process in transparent and fair manner for repair and maintenance and the cost thereof is discernible form such contract.*

Further, with regard to CSR expenses, it is stated that the same is not allowed in admin expenses.

FIA requested AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the First Control Period as estimates are on highest side. In this regard it is stated that we have already substantiated to AERA with all supporting facts that the operation and maintenance expenses claimed by GGIAL in MYTP are accurate and reasonable. Hence, it is not an overestimation and will not lead to any kind of over recovery.

8.5 Authority's analysis on Stakeholders' comments regarding Operating & Maintenance Expenses for the First Control Period

8.5.1 The Authority has carefully reviewed the comments made by GIAL, other stakeholders and GIAL's counter comments on the same relating to Operating & Maintenance Expenditure.

Expansion Factor

8.5.2 The Authority has reviewed the comments made by GIAL with respect to the factors to be considered for expansion. The Authority notes that expenses may not grow in a linear way, in line with the area increase/ capacity increase. A more refined approach may be needed in estimating costs. Technological advancements, economies of scale, and other factors can indeed influence the relationship between area expansion and associated expenses. However, it could be difficult to quantify this precisely, which is why the Authority's proposal to consider 2/3rd (66.67%) of the area increase as the expansion factor strikes a balance.

Furthermore, the proposal by the Authority to use the area expansion in Phase-II and III as the incremental factor for projecting expenses provides a more accurate representation of the impact of infrastructure development. This approach recognizes that increased terminal area can have an influence on expenses and hence has been considered as basis of estimation.

The Authority noted FIA's comment and GIAL Counter comment regarding the expansion rate considered for projecting Operating & Maintenance Expenses for Phase-II and Phase-III. For Phase-II, the estimation was made considering additional cost as these spends related to creating infrastructure ability within the overall Terminal building area to handle additional passenger volumes.

Hence, the Authority decides to consider the expansion factors as detailed at Consultation Stage. Costs actually incurred will be reviewed at the time of determination of tariff for the next control period based on review of reasonableness and efficiency.

Allocation Ratios

8.5.3 The Authority has carefully reviewed the submission made by GIAL with respect to asset allocation ratios. The Authority has computed the Gross block ratio by considering the proposed capital expenditure and its allocation into Aeronautical and Non-Aeronautical. Accordingly, the Gross Block ratio has been computed for the First Control Period, which represents a reasonable assessment of the asset allocation. It may not be appropriate to only consider the capitalization done for Phase I and compute the Gross block ratio based on the same.

With respect to GIAL's comments on terminal building ratio, the Authority has given its detailed views under para 5.9.11.

Hence, the Authority decides to consider the allocation ratios as proposed at the Consultation Stage.

Customs Cost

8.5.4 The Authority notes GIAL's submission with respect to Customs Cost Recovery charges. As these are mandated costs to be paid to the Customs department, the Authority decides to consider the estimates as provided by GIAL as part of Operating Expenses for the period till FY 2024-25. The Authority notes that the Customs Circular provide for exemption of these costs based on achievement of certain criteria. Hence, the Authority notes that after the first 2 years of the control period, GIAL may be able to apply and obtain exemption from such charges. These exemptions are based on the actual traffic volumes that may be experienced in Manohar International Airport, Mopa, Goa. Hence, the Authority decides to review the actuals incurred based on evaluation of efficiency and reasonableness at the time of determination of tariff in the next control period.

Repairs & Maintenance cost

8.5.5 The Authority has carefully reviewed the comments submitted by GIAL and other stakeholders with respect to Repairs & Maintenance expenses. The Authority notes GIAL's submission that that the responsibility of the R&M contractor is different from the support to be provided during Defects Liability Period by the Project contractor. GIAL has also submitted that the DLP details were part of the RFP floated for selection of R&M Contractor. The Authority also notes comments from GIAL that the R&M contract has been awarded after following a competitive bidding process and a probity audit has been conducted on the same. The Authority notes that while R&M estimate submitted by GIAL is in line with the contract entered into for the same, GIAL has considered an increase of 44.16% over the contract value for the last 2 years in the control period based on the passenger capacity increase.

The Authority notes that GIAL has stated that the R&M cost estimates are lower than the 6% norm considered for evaluation in line with other similar Airports. A greenfield airport where all airport infrastructure is newly commissioned cannot be compared with R&M estimate of another airport which is brownfield in nature.

It is the Authority's responsibility to evaluate the reasonableness of spend and review whether the costs are spent efficiently. The Authority had sought information from GIAL on the details w.r.t. Technical and Commercial criteria used for shortlisting and evaluation of bids. The Authority notes that main eligibility criteria viz. *"Similar works executed for any Airport in India having capacity of not less than 15 Million Passengers Per Annum, for more than 5 years"* is not in line with the public procurement guidelines. The eligibility criteria restricting airport related experience only make it very restrictive and is not followed at other airports. This restrictive eligibility criteria seems to have led to only three bidders participating in the bidding process leading to Related Party (GMR Airport Developers Ltd.) becoming the lowest bidder.

Based on an evaluation of the factors as detailed above, the Authority decides to consider the R&M expenses for the Control Period as 95% of the contract value executed with the R&M service provider (considering an adjustment for restrictive selection process). The Authority also decides not to consider the increase in the contracted values for the last 2 years at this stage, as no supporting document and rationale has been provided by the Airport Operator.

The Authority expects GIAL to evaluate and implement possibilities of optimizing the contracted costs and evaluate methods of efficient spending when the Airport capacities increase in the last 2 years.

Additional costs incurred will be reviewed by the Authority for its efficiency and reasonableness at the time of determination of tariff for the next control period.

Further, the Authority discourages Related Party Transactions, which creates conflict of interest (same group company inviting tenders and awarding it to related party). Further, by resorting to such practices, the very purpose of Government's initiative of PPP airports gets defeated.

Salary cost

8.5.6 The Authority has carefully reviewed GIAL's submissions relating to estimation of Personnel cost. The Authority notes GIAL's comment to consider 25% increase for Phase-III as computed by the Authority. AERA has computed the capacity increase for Phase-II and Phase-III to evaluate the reasonableness of GIAL's projections and to rationalize if it is observed to be higher. Hence, the Authority decides to continue the growth rate at 22% as considered by GIAL for Phase-III which is found to be reasonable.

The Authority has reviewed the comments relating to actual headcount in July 2023. The Authority decides to consider the actual headcount for July 2023 and consider the same for projecting FY 2023-24 costs. However, the Authority observes that the increase in headcount from March 2023 has largely happened in ARFF staff. The Authority decides to consider 50% of the average salary estimate per employee for the additional headcount and consider the salary cost estimate accordingly.

The Authority had considered in the past, a growth rate of approximately 6% consistently across other similar AAI airports (Example Srinagar, Lucknow, Ahmedabad, Kolkata) and also PPP airports such as BIAL, LIAL, SVPIA and Manohar International Airport operated by GIAL cannot be treated differently. This rate is considered to be reflective of the increase to be provided in personnel cost. The Authority also notes that it has considered even lower rates in the case of certain Airports such as Pune etc.

The Authority notes that GIAL has drawn reference to certain cost increases considered for Cargo Operators. The Authority notes that the services provided by the ISPs referred are different from that provided by Airport Operators. The Authority notes that it has carried out a review of the ISPs referred herein, based on AERA Guidelines on review of the ISP proposals under Light Touch.

The Authority expects that GIAL will bring in efficiency and reduce the costs across different heads of O&M Expenditure.

CUTE charges

8.5.7 The Authority notes GIAL's comment on the non-recovery of CUTE charges since April 2023 and accordingly, the need to revise the estimate of IT Service cost. The Authority notes that this is dependent on the notification of CUTE charges. Considering the rate card as being made effective from 1st January 2024, the Authority decides to rework the IT services cost for 2023-24. The Authority notes that the IT service cost is based on estimated cost of Capital expenditure and Operating expenditure to be incurred for the project. Considering reduction in traffic from estimates and the need to optimise costs, the Authority decides to consider 40% of the estimated Operating Expenditure considered for 2023-24. This will be reviewed at the time of true up based on evaluation of the efficiency and reasonableness of the cost incurred.

Airport Operator Fee

8.5.8 The Authority has noted the comments submitted by GIAL and APAO on Airport Operator fees. The Authority reiterates that the Technical Capability of the parent and group is the basis of technical qualification leading to award of the concession. Forming an SPV is for operationalization of the legal entity for developing and running Manohar International Airport. The Authority observes that the Request for Quote (RFQ) floated by the GoG for the Development of Greenfield International Airport at Mopa, Goa had included a clause stating that the bidders must possess relevant experience, which will be evaluated to assess their Technical Capacity/ O&M capabilities and only then the bidder shall be eligible to bid for the Request for Proposal (RFP). Furthermore, the Authority notes that the holding company GAL (GMR Airports Limited), based on their successful management of airports such as DIAL and HIAL has the necessary experience and capability to operate Manohar International Airport, Mopa, Goa and the past experience is the reason rendering them technically competent.

GIAL has specified certain strategic guidance etc. being provided to the SPV. These are part of the responsibilities of the Parent as they are technically qualified for running the airport. Also, reimbursement of corporate costs allocated to GIAL has been considered as an element of cost in the Operating & Maintenance Expenses of GIAL.

The Authority notes that it has provided for reasonable cost of running the operations at the Airport and also an estimated cost for corporate costs allocation. As noted during Consultation Stage, GIAL has not provided the report of the study conducted and the basis for estimating the Corporate Cost allocation and hence, the Authority had rationalized the estimates submitted by GIAL and considered the same as part of the Operating Expenses.

The Authority had sought clarification from GIAL on the details of agreement entered into with the Related Party, together with the probity audit report and approval from GoG and also the details of costs incurred by such entity based on which the fee is proposed as a % of Gross Revenue. GIAL has submitted vide its response dated 16th November 2023 that the agreement has not yet been entered into. Also details of costs that are incurred/ proposed to be incurred by the party and the resultant justification for the fee has not been provided by GIAL.

The Authority is not convinced that additional cost in the form of Airport Operator Fee devoid of justification, which increases the cost for Airport user is justified. Hence, the Authority decides not to consider these costs.

Cost escalations provided for O&M Expenditure

8.5.9 AERA has reviewed the comments submitted by FIA and the counter comments provided by GIAL regarding escalations provided in case of expenses like Repair & maintenance expenses, Utilities expenses, Operating expenses and manpower related costs. It is important to consider the scale and scope of the expansion projects at various airports, which may impact requirements differently. The Authority understands that manpower costs may not increase proportionately with the expansion. However, it is crucial to factor in other elements such as training, supervision, and specialized roles that may be required with an expanded facility.

FIA has highlighted significant escalations in Repairs & Maintenance, Utilities, and Operating expenses. The estimates considered by the Authority are based on thorough analysis, including the consideration of expansion in areas and hence the need to consider additional costs for later years in the control period.

While the Authority notes FIA's concerns about potential overestimation of O&M expenses leading to impact in tariffs in subsequent control periods, the Authority notes that these estimates are based on thorough analysis based on the facts and documents provided.

Power cost recovery

8.5.10 The Authority has reviewed the comment made by FIA with respect to recovery of Power cost and the response provided by GIAL. The Authority is of the view that GIAL has already considered power recovery at a level of recovery considering the benchmarking with other major airports. GIAL has submitted that, with the gradual increase in the non-aeronautical operations, power recovery from the Concessionaires is bound to increase. Thus, the Authority decides that in case efforts are not taken by GIAL to substantially increase the power recovery for First Control Period, the Authority shall consider power recoveries at a notional rate as deemed appropriate in case of other PPP Airports while truing up for the next Control Period.

Other Operating Expenditure

8.5.11 The Authority has noted GIAL's comments regarding estimate for various items of Operating Expenditure.

i. The Authority has noted GIAL's comments relating to Bank charges. The same is decided to be considered by the Authority as part of Bank charges under Operating & Maintenance expenses.

ii. The Authority has analyzed the response submitted by GIAL on various Consultancy expenses.
   a. The Authority understands the need for spend on Pax experience based on the detailed submission of the components of this cost provided by GIAL as part of comments to the CP. Accordingly, the Authority decides to consider 75% of the cost estimated by GIAL.
   b. GIAL has submitted its response on the IT related expenses proposed to be incurred by it. These includes costs related to going paperless as part of green initiatives etc. The Authority decides to consider 75% of the cost estimated.
   c. On Human Resource cost which are part of Consultancy cost, GIAL has requested for their estimate to be considered stating that they will try to rationalize this after some time. The Authority reiterates GIAL to evaluate opportunities for savings and rationalization and accordingly decides not to consider a change in this cost.
   d. GIAL has provided details of the planning related costs confirming that these are for the operational phase of the project. The Authority accordingly decides to consider the same.

iii. With respect to Advertisement cost, the Authority recognizes the importance of responsible financial management and gradual cost rationalization. The 50% reduction in advertising expenses after the initial two years is a measured approach, considering the evolving market presence of the airport. The Authority emphasizes the need to strike a balance between promotional efforts and fiscal responsibility for sustained growth and competitiveness. Accordingly, the Authority decides not to consider a change in the estimate of Advertisement considered at Consultation Stage.

iv. The Authority notes GIAL comment on House Keeping expenses. GIAL has provided details of the additional contract which are a part of Housekeeping expenditure. The Authority decides to consider these contracts also at the time of determination of Housekeeping Expenditure.

v. The Authority has noted GIAL's comment with respect to "Other TOPS" Expenses and has verified the same. The Authority accordingly decides to consider the value submitted by GIAL in computing the Operating & Maintenance expenses.

All elements of these costs will be reviewed based on evaluation of reasonableness and efficiency at the time of determination of tariff for the next control period.

8.5.12 The Authority notes FIA's comments and GIAL's counter comments on CSR costs. CSR expenses have not been provided to GIAL currently as the same is dependent on the profitability, and as noted in CP, these will be based on actual position at the end of the control period and will be trued up accordingly.

8.5.13 The Authority has noted the comments made by FIA on the cost of operations. The Authority's framework of tariff determination is set on defined principles. The same is carried out after due evaluation of each Building Block with reference to efficiency and reasonableness.

8.5.14 Based on the above and changes to other components of ARR, the allocation ratios as decided by the Authority for the First Control period are as given below:

Table 123: Gross block ratio as decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Aeronautical Gross Block						
Opening Gross Block (A)	2,513.20	3,271.53	3,280.53	3,693.26	3,702.26	
Addition (B) (Table 89)	758.33	9.00	412.73	9.00	9.00	**1,198.06**
Sales/Transfers/Disposals (C)	-	-	-	-	-	
Closing of Aeronautical Gross Block (D=A+B-C)	**3,271.53**	**3,280.53**	**3,693.26**	**3,702.26**	**3,711.26**	
Total Gross Block						
Opening Gross Block (E)	2,626.25	3,421.86	3,431.86	3,882.99	3,892.99	
Addition (F) (Table 88)	795.60	10.00	451.14	10.00	10.00	**1,276.74**
Sales/Transfers/Disposals (G)	-	-	-	-	-	
Closing of Total Gross Block (H=E+F-G)	**3,421.86**	**3,431.86**	**3,882.99**	**3,892.99**	**3,902.99**	
Aeronautical Gross Block Percentage (I=D ÷ H)	95.61%	95.59%	95.11%	95.10%	95.09%	
Average of 5 year-Aeronautical Gross Block Ratio	**95.30%**					

Table 124: Employee Head Count Ratio decided by the Authority for the First Control Period

Department	Classification	FY23
CEO's/ Dy. CEO's Office	Common	3
CDO's Office	Common	1
Planning & Business Intelligence	Common	3
Commercial & Business Development	Non-Aero	11
Finance & Secretarial	Common	9
Procurement & Contracts	Common	4
Human Resources & Flight Management System	Common	9
Project support function	Common	17
Corporate relation & Corp.Com.& Connectivity	Common	13
Legal	Common	3
Management Assurance Group (MAG)	Common	2
CSR	Common	3
IT	Common	2
Ethics & Intelligence	Common	1
COO's Office	Common	2
Airside Ops	Aero	22

Department	Classification	FY23
AOCC	Aero	20
ARFF	Aero	99
EHS	Aero	6
Security & Vigil.	Common	90
Terminal operation and customer facility (TOPS & CFL)	Aero	29
Quality & Service Delivery	Aero	1
Passenger Exp	Aero	3
Total		**353**
Employee Head Count		
Aero		180
Non-Aero		11
Common		162
Common Employees to Aero & Non-Aero		
Aero		153
Non-Aero		9
Total Employee Head Count		
Aero		333
Non-Aero		20
Employee Head Count ratio (Aero : Non-Aero)		
Aero		**94.33%**
Non-Aero		**5.67%**

Table 125: Allocation Ratios decided by the Authority for the First Control Period

Particulars	FY24	FY25	FY26	FY27	FY28
TBLR (para 5.9.11)	90.00%	90.00%	90.00%	90.00%	90.00%
Gross Block Ratio (Table 123)	95.30%	95.30%	95.30%	95.30%	95.30%
EHCR (Table 124)	94.33%	94.33%	94.33%	94.33%	94.33%

8.5.15 As detailed above, the Authority has recomputed the Operating expenditure by incorporating the following changes from the Consultation Stage:

i. Inflation rates considered as decided in the Chapter 7.

ii. Allocation ratios - Employee Head count ratio changed to 94.33% from 95.73% due to actual head count considered as per July 2023.

iii. Manpower head count considered as per actuals as of July 2023 leading an increase in the manpower cost by Rs. 6.84 crores from Consultation Stage to Tariff Order Stage.

iv. Consideration of Customs Cost Recovery charges of Rs. 9.91 crores at the Tariff Order stage. This was not considered at the Consultation Stage.

v. Increase in Repairs and Maintenance expenses estimate by Rs. 46.79 crores based on review of the contract and on review of the submissions made by GIAL.

vi. Pax experience, IT related expenses, planning expenses etc. has been increased by Rs. 18.59 crores as compared to the costs considered at Consultation stage.

vii. Consideration of IT Services cost for Rs. 14.45 crores.

viii. Increase in House Keeping expenses by Rs. 9.47 crores based on consideration of the contract not considered at the Tariff order stage.

ix. Bank charges of Rs. 0.4 crores pertaining to other terms loans taken into consideration which was earlier excluded.

8.5.16 Based on the above the total and Aeronautical Operating Expenses decided to be considered by the Authority are as detailed below:

Table 126: Total Operating & Maintenance Expenses decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total	GIAL	Diff
Manpower Expenses (A)	**56.19**	**59.57**	**77.03**	**81.65**	**86.55**	**361.00**	**500.86**	**139.86**
Custom Cost Recovery (B)	**4.10**	**5.80**	**-**	**-**	**-**	**9.91**	**-**	**-**
Admin and General Expense								
Rates & Taxes	1.78	1.85	2.41	2.50	2.61	**11.14**	**11.86**	**0.72**
Corporate cost allocation	3.75	3.90	4.06	4.23	4.40	**20.35**	**41.45**	**21.10**
CSR	-	-	-	-	-	**-**	**10.15**	**10.15**
Bank Charges	1.00	1.04	1.08	1.13	1.17	**5.43**	**5.53**	**0.10**
Consultancy	13.58	14.13	14.71	15.31	15.94	**73.67**	**104.90**	**31.23**
Travel	1.97	2.05	2.13	2.22	2.31	**10.69**	**11.74**	**1.05**
Advertisement	8.50	8.85	4.61	4.79	4.99	**31.74**	**75.38**	**43.64**
Auditor & Director Fee	0.53	0.55	0.57	0.60	0.62	**2.88**	**2.91**	**0.03**
Office Maintenance etc.	17.55	18.27	23.77	24.75	25.76	**110.09**	**118.16**	**8.07**
Total Admin and General Expense (C)	**48.65**	**50.64**	**53.35**	**55.54**	**57.81**	**265.99**	**382.07**	**116.08**
Utility Expense								
Electricity	23.76	24.62	32.52	33.74	35.00	**149.64**	**233.43**	**83.79**
Water	1.24	1.47	1.88	2.40	2.82	**9.80**	**10.02**	**0.22**
Total Utility Expense (D)	**25.00**	**26.09**	**34.39**	**36.13**	**37.82**	**159.44**	**243.46**	**84.02**
Operating Expenses								
Repair and Maintenance	37.88	40.91	48.45	52.04	55.70	**234.99**	**299.26**	**64.27**
IT Operation related*	13.73	-	-	-	-	**13.73**	**0.36**	**(13.37)**
Enterprise IT	2.72	2.83	2.95	3.07	3.20	**14.78**	**24.50**	**9.72**
Housekeeping expense	12.42	12.93	16.83	17.52	18.23	**77.93**	**85.52**	**7.59**
Insurance	3.09	3.22	3.80	3.96	4.14	**18.21**	**22.69**	**4.48**
Security expense	13.96	15.56	19.92	22.40	23.46	**95.31**	**112.36**	**17.05**
Misc. expense	30.23	31.43	35.14	36.82	38.20	**171.81**	**207.21**	**35.40**
Total Operating Expense (E)	**114.03**	**106.90**	**127.09**	**135.81**	**142.93**	**626.76**	**751.89**	**125.13**
Airport Operator Fee (F)	**-**	**-**	**-**	**-**	**-**	**-**	**154.61**	**154.61**
Total O&M Expenses (A)+(B)+(C)+(D)+(E)+(F)	**247.98**	**249.01**	**291.86**	**309.14**	**325.12**	**1,423.10**	**2,032.90**	**609.80**
GIAL's submission	**279.14**	**319.93**	**407.25**	**485.53**	**541.05**	**2,032.90**		
Difference	**(31.16)**	**(70.92)**	**(115.39)**	**(176.39)**	**(215.93)**	**(609.80)**		

**As CUTE Revenue for FY 2023-24 is being projected only from January 2024, IT service cost is being projected to be paid to the operator*

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Table 127: Aeronautical Operating & Maintenance Expenses decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total	GIAL	Diff
Manpower Expenses (A)	**53.01**	**56.19**	**72.67**	**77.03**	**81.65**	**340.55**	**469.75**	**129.20**
Custom Cost Recovery (B)	**3.87**	**5.47**	-	-	-	**9.34**		
Admin and General Expense							-	-
Rates & Taxes	1.61	1.68	2.19	2.28	2.37	**10.14**	**10.91**	**0.77**
Corporate cost allocation	3.54	3.68	3.83	3.99	4.15	**19.20**	**39.13**	**19.93**
CSR	-	-	-	-	-	-	**10.15**	**10.15**
Bank Charges	0.95	0.99	1.03	1.08	1.12	**5.17**	**5.39**	**0.22**
Consultancy	12.94	13.47	14.02	14.59	15.19	**70.21**	**102.33**	**32.12**
Travel	1.86	1.93	2.01	2.10	2.18	**10.09**	**11.09**	**1.00**
Advertisement	7.65	7.96	4.15	4.32	4.49	**28.57**	**68.63**	**40.06**
Auditor & Director Fee	0.51	0.53	0.55	0.57	0.59	**2.74**	**2.83**	**0.09**
Office Maintenance etc.	16.72	17.41	22.65	23.58	24.55	**104.92**	**115.27**	**10.36**
Total Admin and General Expense (C)	**45.78**	**47.66**	**50.44**	**52.50**	**54.66**	**251.03**	**365.73**	**114.70**
Utility Expense							-	-
Electricity	19.07	19.74	25.85	26.79	27.77	**119.22**	**233.42**	**114.21**
Water	0.94	1.12	1.42	1.82	2.14	**7.44**	**10.02**	**2.58**
Total Utility Expense (D)	**20.01**	**20.86**	**27.27**	**28.61**	**29.91**	**126.66**	**243.44**	**116.79**
Operating Expenses							-	-
Repair and Maintenance	36.10	38.99	46.18	49.59	53.08	**223.94**	**291.94**	**68.00**
IT Operation related	13.08	-	-	-	-	**13.08**	**0.35**	**(12.73)**
Enterprise IT	2.60	2.70	2.81	2.93	3.05	**14.08**	**23.89**	**9.81**
Housekeeping expense	11.18	11.64	15.14	15.76	16.41	**70.14**	**77.84**	**7.70**
Insurance	2.94	3.07	3.62	3.78	3.94	**17.36**	**22.14**	**4.78**
Security expense	12.57	14.01	17.93	20.16	21.11	**85.78**	**102.29**	**16.51**
Misc. expense	28.74	29.90	33.42	35.06	36.39	**163.50**	**203.45**	**39.95**
Total Operating Expense (E)	**107.20**	**100.31**	**119.10**	**127.28**	**133.99**	**587.88**	**721.91**	**134.03**
Airport Operator Fee (F)	-	-	-	-	-	-	**143.16**	**143.16**
Total O&M Expenses (A)+(B)+(C)+(D)+(E)+(F)	**229.88**	**230.49**	**269.47**	**285.42**	**300.20**	**1,315.46**	**1,944.00**	**628.54**
GIAL's submission	**267.62**	**305.96**	**389.12**	**464.26**	**517.03**	**1944.00**		
Difference	**(37.74)**	**(75.47)**	**(119.65)**	**(178.84)**	**(216.83)**	**(628.54)**		

Note: All the expenses have been recomputed after the effect of recent inflation rates.

8.6 Authority's decisions regarding Operating & Maintenance Expenses for the First Control Period

Based on the material before it and on its examination, the Authority decides the following with regard to Operating & Maintenance expenses for the First Control Period:

8.6.1 To consider Aeronautical O&M Expenses for the First Control Period as per Table 127.

8.6.2 To consider the O&M expenses incurred by GIAL, Mopa, Goa during the First Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

9 NON-AERONAUTICAL REVENUE FOR THE FIRST CONTROL PERIOD

9.1 GIAL's submission regarding Non-Aeronautical Revenue (NAR) for the First Control Period

9.1.1 GIAL, Mopa, Goa had submitted the projections of the Non-Aeronautical revenue under the following heads:

a) Direct Concession
b) Retails Concession
c) Land & Space

9.1.2 GIAL, Mopa, Goa had, in its revised MYTP dated 29th March 2023 submitted the following estimated revenue from Non-Aeronautical services for the First Control Period for Manohar International Airport, Mopa, Goa.

Table 128: Non-Aeronautical Revenue submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Direct Concession						
In Flight Kitchen- Concession Fee (A)	1.59	1.93	2.33	2.92	3.54	**12.31**
Retail Concession						
Food and Beverages (F&B)	42.86	51.43	65.66	92.93	110.09	
Lounge Income	5.74	6.88	8.80	12.47	14.77	
Retail Duty Paid	73.11	87.63	112.32	159.21	188.78	
Duty Free	45.90	57.34	62.77	82.86	94.00	
Car parking	3.18	3.81	4.89	6.93	8.22	
Advertisement	24.08	28.85	37.04	52.55	62.33	
Others	3.80	4.07	4.35	4.66	4.98	
Total	**198.66**	**240.01**	**295.84**	**411.60**	**483.18**	
Revenue Share to GIAL, Mopa, Goa (B)	**40.23**	**48.60**	**59.91**	**83.35**	**97.84**	**329.93**
Land & Space (C)	**10.66**	**11.20**	**11.75**	**12.34**	**12.96**	**58.91**
Total (D) = (A+B+C)	**52.48**	**61.73**	**73.99**	**98.62**	**114.34**	**401.16**

9.1.3 GIAL, Mopa, Goa had submitted that it has estimated the revenues by conducting benchmarking analyses with comparable airports and additionally considered Goa specific factors for discounting the estimates, taking into account actual contract awards etc. GIAL, Mopa, Goa had provided the following basis for estimating various revenues from non-aeronautical services:

a) Direct Concession

In-Flight Kitchen

9.1.4 GIAL, Mopa, Goa had awarded In-Flight Kitchen contract to M/s Taj SATS Air Catering Ltd. with the contractor paying 13% license fees till 5th year from COD and 15% from thereafter. GIAL, Mopa, Goa had estimated earnings based on Average Ticket Value (ATV) of a passenger. The ATV is increased with inflation of 5% in following years.

b) Retail Concession

9.1.5 GIAL, Mopa, Goa submitted that it had outsourced all non-aeronautical businesses (listed below) to the Master Concessionaire, GMR Airports Limited (GAL), vide Master Services Agreement dated 15th December 2021:

- Food & Beverages
- Lounge Income
- Retail
- Duty Free shop
- Car Parking
- Advertisement
- Others (Space rent)

9.1.6 In accordance with the agreement, the scope of GAL at Manohar International Airport, Mopa, Goa is to undertake the design, development, operation, and management of the specified non-aeronautical facilities and services listed above. GAL is expected to adhere to best-in-class guidelines and ethical business standards, ensuring that the facilities provided are at par with those available at comparable airports. GAL shall make payments to GIAL, Mopa, Goa based on the higher of the following amounts:

a) Revenue share percentage (20.25%) of the Gross Revenue of the Licensee for such License month or
b) Minimum Guarantee amount for that License Month

"Gross Revenue" shall mean the aggregate of all revenue billed and/or accrued and/or received by the Licensee and by its direct sub-licenses and direct sub-contractors in relation to the Project from any source whatsoever, which shall include, without limitation the following:

(a) the total revenue earned (excluding taxes) in respect of provision of Non-Aero Facilities and Services by the Licensee and by its direct sub-licenses and direct sub-contractors in connection with the provision on Non-Aero Facilities and Services;
(b) all revenue generated from any promotional activities carried (with the prior written consent of GIAL, Mopa, Goa) at the Locations or from other activities permitted by GIAL, Mopa, Goa in accordance with the terms of the License Agreement; and
(c) any other consideration received by the Licensee in relation to the provision of Non-Aero Facilities and Services.

9.1.7 Revenues from retail concession had been projected by GIAL, Mopa, Goa based on benchmarking analysis, the details of which are as follows:

Food and Beverages (F&B)

9.1.8 GIAL, Mopa, Goa had assumed Sales per passenger (SPP) of Rs. 60 per pax in case of domestic and Rs. 80 in case of international in line with Delhi and Hyderabad Airport. GIAL, Mopa, Goa had also evaluated the airport operator revenue of FY 2019-20 of Dabolim Airport and calculated that Income per pax (IPP) in the hands of airport operator was Rs. 10. In case of GIAL, Mopa, Goa with higher F&B area and plenty of new brands and fine dining options, GIAL, Mopa, Goa expects to achieve around 20% higher IPP.

Lounge income

9.1.9 GIAL, Mopa, Goa had estimated ATV and penetration to arrive at SPP for lounge. The resultant SPP had been increased with inflation and pax growth to arrive at lounge income. In case of domestic, GIAL, Mopa, Goa estimated Rs. 750 ATV with 0.5% penetration for airport lounges and Rs.1250 ATV and 1% penetration in case of commercial lounge based on which the effective SPP is Rs. 16.25. In case of international, GIAL, Mopa, Goa estimated Rs.1000 ATV with 0.5% penetration for airport lounges and Rs.1500 ATV and 1% penetration in case of commercial lounge based on which the effective SPP is Rs. 20.

Retail

9.1.10 Considering the passenger profile and longer dwell time of passengers at Manohar International Airport, GIAL, Mopa, Goa had benchmarked the SPP mainly with Delhi Terminal 1. The SPP at Delhi Airport T1 is in the range of Rs. 105 - Rs. 110. Accordingly, GIAL, Mopa, Goa had assumed Rs. 105 SPP in case of domestic pax of Manohar International Airport, Mopa, Goa. In case of international, considering the lower volume, GIAL, Mopa, Goa had assumed 10% higher SPP i.e. Rs. 116. In line with other non-aero revenue forecasts, the retail SPP has been escalated with inflation.

Duty Free

9.1.11 GIAL, Mopa, Goa had considered benchmarks of Delhi and Hyderabad Airport. In case of Delhi the duty free SPP is USD 10 – USD 11 whereas in case of Hyderabad the SPP is in the range of USD 5- USD 7. Considering the passenger profile and lower penetration, GIAL, Mopa, Goa expects that the Mopa, Goa SPP should be mainly aligned to Hyderabad Airport, considering the tourist destination and passenger profile which majorly consists of Russian and UK residents, the SPP for Manohar International Airport, Mopa, Goa is considered towards higher band of Hyderabad Airport i.e. USD 7. Revenue from Duty free had been forecasted by considering the inflation increase in line with international passenger traffic growth.

Car Parking

9.1.12 According to GIAL, Mopa, Goa, the local unions had a significant impact on the Goa taxi business, and Dabolim airport encounters opposition from the regional taxi associations. The parking revenues at Manohar International Airport, Mopa, Goa are impacted by the powerful union of taxi operators. It was anticipated that there will be virtually little traffic in the Manohar International Airport, Mopa, Goa's parking lot. With a projected ATV of Rs. 171 and a car park penetration rate of 5.4%, the effective SPP comes to Rs. 9.23. The growth in SPP over the balance period is correlated with both passenger growth and inflation.

Advertisement

9.1.13 The SPP for Manohar International Airport, Mopa, Goa is benchmarked with Hyderabad which is around Rs. 35 per passenger. GIAL, Mopa, Goa had lower sites compared to Hyderabad as the approach road linking to highway is being built by the state government. However, GIAL, Mopa, Goa has still continued with the SPP of Hyderabad in terms of advertisement.

Others (Space Rent)

9.1.14 As per the master service agreement, space of 150 sq.m had been provided to GAL at an average rent of Rs. 21,112 per sq.m per month.

c) Land & Space

Others – Space rent

9.1.15 GIAL, Mopa, Goa forecasted rent of Rs. 0.66 crores for FY 2023-24 on land space of 49,437 sq.m. All spaces/land are expected to have 100% occupancy from FY 2023-24 and the space rental is assumed to grow by inflation rate of 7%.

9.2 Authority's examination regarding Non-Aeronautical Revenue for the First Control Period at Consultation Stage

9.2.1 The Authority had examined the basis and the projections of non-aeronautical revenue submitted by GIAL, Mopa, Goa for the First Control Period. The Authority noted that GIAL, Mopa, Goa had utilized benchmarking analyses, specific factors for discounting, actual contract awards and tentative business estimates to estimate their non-aeronautical revenues.

9.2.2 The Authority had conducted a detailed analysis of revenue streams submitted by GIAL, Mopa, Goa in the following order:

a) Direct Concession
b) Retails Concession
c) Land & Space

Following were the observations and assessments by the Authority regarding GIAL, Mopa, Goa's projections for Non-aeronautical revenue.

a) Direct Concession

In Flight Kitchen (IFK)

9.2.3 The Authority had taken note of the fact that GIAL, Mopa, Goa has awarded the In-Flight Kitchen contract to M/s Taj SATS Air Catering Ltd. (Licensee). The Authority noted the following from the agreement provided:

1. The Licensee had been granted an area of 4,046 sq.m to carry out the services. For this area, the Licensee is required to pay a Land Licensee fee (Space rent) of Rs. 256 per sq.m per month, which will be increased annually based on the notified CPI (IW) from the 2nd year of the contract. The revenue from this arrangement had been categorized by GIAL, Mopa, Goa under the Space rent head and was further discussed by the Authority in para 9.2.22.
2. As per the agreement, the Licensee is obligated to pay GIAL, Mopa, Goa a license fee of 13% of Gross Revenue until the 5th year from COD, and 15% thereafter. GIAL, Mopa, Goa had projected the gross revenue based on the assumption of an Average Ticket Value (ATV) and passengers opting for in-flight eatables for both domestic and international passengers.

9.2.4 The Authority had reviewed the assumptions made by GIAL, Mopa, Goa for calculating the gross revenue and has noted that the estimated ATV and percentage of passengers opting for the same, as indicated by GIAL, Mopa, Goa are not available as a benchmark from other airports. Therefore, the Authority proposed to forecast the in-flight revenues based on the benchmark of the airports compared in terms of the regional area (i.e. Airports located specifically at Southern Areas) and for which data is available. Accordingly, the main regional airports where the inflight revenues are generated were HIAL and Chennai.

9.2.5 The revenues per passenger proposed by AERA for other airports comparable to Manohar International Airport, Mopa, Goa, had been presented below:

Table 129: Revenues per passenger of In-Flight Kitchen of Comparable Airports to Manohar International Airport, Mopa, Goa

(Rs. in crores)

Airport	Order No	Revenue (FY 24)	Traffic (in MPPA) (FY 24)	Revenue Per Pax
HIAL	Order No_12_2021-22	15.42	23.36	6.60
Chennai	Order No_38_2021-22	9.21	23.92	3.85
Average Revenue Per Pax (RPP)				**5.23**

9.2.6 The Authority estimated the revenues for Manohar International Airport, Mopa, Goa, considering the average revenue per passenger of the two comparable airports as mentioned above of Rs. 5.23 per passenger applied on the passenger traffic proposed by the Authority in Table 38 for the first year of the control period, i.e., FY 2023-24. Further, considering that Manohar International Airport, Mopa, Goa was a new greenfield airport which commenced its commercial operations on 5th January 2023 and had to compete with another airport in close vicinity, the Authority proposed to moderate the estimated per passenger revenue by 30% from the average revenue per pax from the table above in order to provide a more realistic and reliable projection for the first year of the control period at Manohar International Airport, Mopa, Goa.

Table 130: In Flight Kitchen Revenue for FY 2023-24 for Manohar International Airport, Mopa, Goa proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Reference	FY 24
Traffic (A) (in MPPA)	Table 38	6.88
Average Revenue Per Pax adjusted by 30% (B) (Rs. Per Pax)	Table 129	3.66
In Flight Kitchen Revenue proposed by the Authority (C) = (A)x(B)/10		**2.52**

9.2.7 For the subsequent years, the Authority proposed to consider an inflation growth of 4% year-on-year (based on WPI as per Table 96) and passenger traffic growth as stated in Table 38 from FY 2024-25 for the remaining years. The total revenue from inflight kitchen as proposed by the Authority for the First Control Period for Manohar International Airport, Mopa, Goa was as follows:

Table 131: In Flight Kitchen Revenue proposed by the Authority for the First Control Period for Manohar International Airport, Mopa, Goa at Consultation Stage

(Rs. in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Submitted by GIAL, Mopa, Goa (A) (Table 128)	1.59	1.93	2.33	2.92	3.54	**12.31**
In Flight Kitchen Revenue Proposed by the Authority (B)	2.52	2.99	3.80	4.85	5.70	**19.85**
Difference (C=B-A)	**0.93**	**1.05**	**1.47**	**1.93**	**2.16**	**7.54**

b) Retail Concession

9.2.8 The Authority noted that GIAL, Mopa, Goa had awarded the concession rights for six services i.e. F&B (Food and Beverage), Retail, Lounge, Duty Free, Car parking, and advertisements to GMR Airports Limited (GAL) through an e-tendering process. As per the terms of the agreement, GAL is required to make following payments to GIAL, Mopa, Goa:

1. Fees based on the higher amount of the below:
    a) Revenue share percentage (20.25%) of the Gross Revenue of the Licensee for such License month or
    b) Minimum Guarantee amount for that License Month
2. Rent for space: Space of 150 sq.m had been provided to GAL at an average rent of Rs.21,112 per sq.m per month. The same had been discussed by the Authority in para 9.2.22.

<u>Cancellation of Master Service Agreement</u>

9.2.9 Based on the information provided in the Audited Financial statements by GIAL, Mopa, Goa for the financial year ending in March 2023, following were noted:

- GIAL, Mopa, Goa issued an RFP for the design, development, operation, and management of Non-Aero Facilities and Services at the Airport. GMR Airports Limited (GAL) emerged as the successful bidder and a Master Services License Agreement was signed between GIAL, Mopa, Goa and GAL.
- However, the Government of Goa did not provide clearance for the master concession agreement, and they directed GIAL, Mopa, Goa to cancel the existing agreement and re-bid the contract which should be transparent and with due participation of Government representative in the selection process.
- In the event of early termination, GIAL, Mopa, Goa is liable to purchase the capital expenditure incurred by GAL at a fair value, as determined by the terms of the agreement.

9.2.10 Based on the disclosed information, the Authority was of the view that the contract of GIAL, Mopa, Goa with GAL will be null and void due to the government's directive.

9.2.11 In response to the Authority's query, GIAL, Mopa, Goa had submitted that the re-tendering process is underway and is expected to be completed by September 2023.

9.2.12 The Authority proposed to evaluate the projected revenues from Retail concessions independently and would examine the specific details of the contract to be awarded and assess the revenues generated from non-aeronautical services during the true-up exercise in the next control period.

9.2.13 GIAL, Mopa, Goa had based its projections on a comparison of Sales per passenger (SPP) and Income per passenger (IPP) with other airport terminals, namely Delhi and Hyderabad. The Authority noted that these airports are not fully comparable to Manohar International Airport, Mopa, Goa in terms of various factors such as traffic volume, region etc. Further, the Authority notes that the data used by GIAL, Mopa, Goa was not a benchmark available in public domain.

9.2.14 The Authority proposed using the average Non-Aeronautical Revenue per passenger from similar services at the other comparable airports in the region i.e. HIAL, Dabolim and Chennai. These comparable airports had been identified as suitable benchmarks for projecting revenues from F&B, Retail, Lounge, Duty Free, Car parking, and advertisements at Manohar International Airport, Mopa, Goa for the FY 2023-24.

9.2.15 The revenues per passenger for the aforementioned six services proposed for other airports was as presented below:

Table 132: Revenues per passenger (FY 2022-24) for the six services of comparable Airports to Manohar International Airport, Mopa, Goa

Airports (FY 2023-24)	F&B	Lounge Income	Retail Outlets	Duty Free*	Car parking	Advertisement
Revenue (Rs. in crores)						
HIAL	42.71	33.70	71.37	66.11	71.54	40.05
Chennai	25.78	NA	76.37	82.84	20.71	67.26
Dabolim	12.84	NA	13.32	10.02	1.97	8.67
Traffic (In MPPA)						
HIAL	23.36	23.36	23.36	3.85	23.36	23.36
Chennai	23.92	23.92	23.92	5.80	23.92	23.92
Dabolim	8.02	8.02	8.02	NA**	8.02	8.02
Revenue Per Pax (RPP)						
HIAL	18.28	14.43	30.55	171.71	30.63	17.14
Chennai	10.78	NA	31.93	142.83	8.66	28.12
Dabolim	16.00	NA	16.60	NA**	2.46	10.81
Average RPP	**15.02**	**14.43**	**26.36**	**157.27**	**13.91**	**18.69**

**Average RPP of duty free is calculated by dividing the revenues by international passengers*

***Duty Free Revenue Per Pax of Dabolim Airport amounts to Rs. 371.11 per pax. However, for the calculation of Average Revenue Per Pax for Manohar International Airport, Mopa, Goa, this value has been excluded as it appears inconsistent when compared to other major airports.*

9.2.16 The Authority proposed to estimate the revenues for the services of Manohar International Airport, Mopa, Goa, considering the average revenue per passenger of the comparable airports as mentioned in Table 132 as a base and applying the passenger traffic proposed by the Authority in Table 38 for the first year of the control period, i.e., FY 2023-24. Further, for services such as lounge income, car parking and advertisement, the Authority proposed the following adjustments to ensure a fair and accurate estimation of revenues.

i. **Lounge Income:** The Authority noted that the airport lounge will be mostly used by specific groups of passengers, such as business class flyers, frequent flyers, premium card holders or those who purchase access on a pay-per-use basis and that business class passengers make up about 10% to 12% of all airline passengers. Considering the possible differing profile of passengers in Manohar International Airport, Mopa, Goa, the Authority proposed to rationalize the Lounge revenue per passenger by 30% from the average estimated above.

ii. **Car Parking:** The Authority had reviewed the Multi-Year Tariff Proposal (MYTP) submitted by GIAL, Mopa, Goa and had observed a significant influence from local taxi unions on the taxi market at Manohar International Airport, Mopa, Goa. This influence has led to opposition from regional taxi associations, as seen in the current situation at Goa's Dabolim Airport.

Additionally, the Authority had taken note that the average revenue per passenger of other airports, as indicated in the Table 132, is considerably higher compared to Dabolim Goa Airport. It is essential to consider these disparities in revenue when analyzing the MYTP.

Furthermore, Dabolim Goa Airport faces operational challenges in generating Parking revenue. In light of these factors, the Authority proposed using two times the revenue per passenger at Dabolim Airport as the baseline for estimating the parking revenue at Manohar International Airport, Mopa, Goa. This proposal aimed to create a fair and reasonable projection, given the prevailing market conditions and challenges faced by both airports.

iii. **Advertisements:** The Authority noted from the concession agreement between GIAL, Mopa, Goa and the state government that the government is responsible for constructing the approach road connecting the airport to the highway. As a result, GIAL, Mopa, Goa had fewer sites available for advertisements. In light of this, the Authority proposed to rationalize the revenue per passenger from advertisements by 30%.

9.2.17 Based on the above analysis, the Authority had estimated the revenues for these six services at Manohar International Airport, Mopa, Goa as follows:

Table 133: Revenue for Six services for FY 2023-24 of Manohar International Airport, Mopa, Goa

Particulars	F&B	Lounge Income	Retail Outlet	Duty Free	Car park	Advt.	Total
Traffic (A)	6.88	6.88	6.88	0.79	6.88	6.88	
Average RPP (B)	15.02	10.10*	26.36	157.27	4.91	13.08*	
Total revenue for Six services proposed by the Authority (C) = (A)x(B)/10 (Rs. in crores)	**10.33**	**6.95**	**18.14**	**12.42**	**3.38**	**9.00**	**60.22**

** Average RPP for Lounge Income and Advertisement adjusted by 30% as explained in para 9.2.16 (i) & (iii) respectively.*

9.2.18 For the subsequent years, the Authority proposed to consider an inflation growth of 4% year-on-year (based on WPI as per Table 96) and passenger traffic growth as stated in Table 38 starting from FY 2024-25 for the remaining years. The total revenue from six services as proposed by the Authority for the control period is as follows:

Table 134: Revenue for six services proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 24*	FY 25	FY 26	FY 27	FY 28	Total
Submitted by GIAL, Mopa, Goa including Space rent (A)	40.23	48.60	59.91	83.35	97.84	329.93
Other-Land Space Rent (B) (refer para 9.2.8 (2))	0.77	0.82	0.88	0.94	1.01	4.43
Revenue for Six services submitted by GIAL, Mopa, Goa (C=A-B)	**39.46**	**47.78**	**59.03**	**82.41**	**96.84**	**325.51**
F&B	10.33	12.26	15.60	19.92	23.41	**81.52**
Lounge Income	6.95	8.24	10.49	13.39	15.74	**54.81**
Retail Duty Paid	18.14	21.52	27.37	34.96	41.08	**143.06**
Duty Free	12.42	15.37	16.67	19.81	22.26	**86.55**

Particulars	FY 24*	FY 25	FY 26	FY 27	FY 28	Total
Car parking	3.38	4.01	5.10	6.51	7.65	**26.65**
Advertisement	9.00	10.68	13.58	17.35	20.39	**71.00**
Total revenue for Six services proposed by the Authority (D)	**60.22**	**72.09**	**88.81**	**111.95**	**130.52**	**463.59**
Difference (E=D-C)	20.76	24.31	29.78	29.54	33.68	138.08

**FY24 figures had been derived from Table 133.*

9.2.19 From the above, the Authority noted that GIAL, Mopa, Goa's estimation of revenue share was lower than the revenue projections made by the Authority. This indicated that GIAL, Mopa, Goa may not have fully explored the potential of generating revenue from these non-aeronautical services.

9.2.20 The Authority's projections, on the other hand, take into account the potential for growth in these non-aeronautical services. By considering comparable airports and their average revenues per passenger, the Authority's calculations provide a more realistic estimation of revenue from these services at Manohar International Airport, Mopa, Goa

9.2.21 Overall, there was a need for GIAL, Mopa, Goa to focus on growing revenues from non-aeronautical services at Manohar International Airport, Mopa, Goa by exploring innovative approaches and implementing best practices from comparable airports.

c) Land & Space

9.2.22 The Authority had taken note of GIAL, Mopa, Goa's revenue forecast for space rental in all areas designated for Non-Aeronautical services. The following table presents the details of the areas rented out by GIAL, Mopa, Goa, along with their purpose and monthly rent per square meter.

Table 135: Area Let out with purpose and rent per sq.m per month

Particulars	Purpose	Area in sq.m	Rate/sq.m/Month
Back of House (BOH) Area	Comm, Lounge, DF bonded Office, F&B Kitchen,	515	1,200
Ticket counter	Ticketing office, Forecourt	49	3,056
Office Space – Airlines	Office for Airlines	384	2,300
Office Space – Ramp Offices	Office for Airlines for Ramp Activities	139	2,300
AEMB & Others	AEMB for Self-Handling Airlines	565	2,042
IFK-Airside unpaved	IFK	4,046	256
GH unpaved land	GH	2,160	256
Cargo Land	Cargo	15,087	25
Fuel	Fuel	24,367	25
Ground Handling - Paved land	Ground Support Equipment (GSE) Parking for CELEBI	1,300	1,300
Self-Handling Airlines – Paved Land	GSE Parking for Self-Handling Airlines	825	1,300
Total		**49,437**	

9.2.23 The Authority had observed that the areas leased for Cargo, Ground handling, Fuel farm (CGF), and airlines had been categorized as Non-Aeronautical. However, the Authority notes that the revenue collected from aeronautical service providers, such as CGF and Airlines, should be classified as Aeronautical Revenues as the revenue generated from leasing land to CGF and airlines is closely tied to aeronautical services. CGF and Airlines are directly involved in providing essential services for aircraft operations, including fueling, cargo handling, and ground handling services. These activities are inherently a part of airport operations and are essential for the functioning of airlines and other aeronautical service providers. Accordingly, the Authority proposed to consider the rent received from CGF and Airlines for the allocated space as aeronautical revenues.

9.2.24 The Authority also proposed that the space rented out under the Master Service Agreement (refer para 9.2.8 (2)) should be included in the revenue from land and space, rather than being considered as revenue from the master services provided by GAL.

Table 136: Area let out for Master Services and rent per sq.m per month

Nature	Area in Sq.m	Rate/Sq.m/Month
ATMs	15	28,259
Banks	25	11,412
Hotel Counters	50	28,529
Other Area	60	17,117
Total	**150**	

9.2.25 The Authority had noted that the revenue from space rent (excluding space let out for master services) had been increased by an annual inflation growth rate of 5% according to GIAL, Mopa, Goa's projections. Additionally, a real growth rate of 7% had been applied to the revenue from space let for master services. However, the Authority had observed that GIAL, Mopa, Goa has employed varying growth rates for estimating income from space rent, which lacked consistency when considering the airport as a whole. Therefore, the Authority proposed adopting a consistent real growth rate of 7% for all revenues from space rental, starting from FY 2024-25 until the end of the tariff period, i.e., FY 2027-28.

9.2.26 Furthermore, the Authority noted that GIAL, Mopa, Goa had projected expansion of Terminal Building in FY 2025-26 and the same has been considered by the Authority in Chapter 5 i.e., RAB. In line with the expansion in area, the Authority proposed a 25% (refer Table 109) increase in revenue from space rental from FY 2025-26.

9.2.27 The proposed revenue from land and space, as proposed by the Authority for the First Control Period, is outlined in the following table:

Table 137: Revenue from Land and Space proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Reference	FY 24	FY 25	FY 26	FY 27	FY 28	Total
GIAL, Mopa, Goa's Submission	**A**	**10.66**	**11.20**	**11.75**	**12.34**	**12.96**	**58.91**
Authority's Proposal							
Back of House (BOH) Area	a	0.74	0.79	1.06	1.14	1.22	**4.95**
Ticket counter	b	0.18	0.19	0.26	0.28	0.29	**1.20**
Office Space – Airlines	c	1.06	1.13	1.52	1.62	1.74	**7.07**
Office Space – Ramp Offices	d	0.38	0.41	0.55	0.59	0.63	**2.56**
AEMB & Others	e	1.38	1.48	1.98	2.12	2.27	**9.24**

Particulars	Reference	FY 24	FY 25	FY 26	FY 27	FY 28	Total
IFK-Airside unpaved	f	1.24	1.33	1.78	1.90	2.04	**8.29**
GH unpaved land	g	0.66	0.71	0.95	1.02	1.09	**4.43**
Cargo Land	h	0.45	0.48	0.65	0.69	0.74	**3.02**
Fuel	i	0.73	0.78	1.05	1.12	1.20	**4.88**
Ground Handling - Paved land	j	2.03	2.17	2.90	3.11	3.32	**13.53**
Self-Handling Airlines – Paved Land	k	1.29	1.38	1.84	1.97	2.11	**8.59**
ATMs	l	0.51	0.54	0.73	0.78	0.83	**3.39**
Banks	m	0.34	0.37	0.49	0.52	0.56	**2.28**
Hotel Counters	n	1.71	1.83	2.45	2.62	2.80	**11.42**
Other Area	o	1.23	1.32	1.76	1.89	2.02	**8.22**
Total Revenue from Land and Space proposed by the Authority	**B=Sum of a to o**	**13.95**	**14.93**	**19.96**	**21.36**	**22.86**	**93.06**
Revenue from Land and Space considered Aeronautical (refer para 9.2.23)	C=c+d+g +h+i+j+k	**6.61**	**7.07**	**9.45**	**10.12**	**10.82**	**44.07**
Revenue from Land and Space considered Non-Aeronautical	**D=B-C**	**7.34**	**7.86**	**10.51**	**11.25**	**12.03**	**48.99**
Difference	**E=D-A**	**(3.32)**	**(3.34)**	**(1.24)**	**(1.10)**	**(0.93)**	**(9.92)**

Other Income

9.2.28 The Authority has observed that GIAL, Mopa, Goa had not provided the necessary estimates for Interest Income in order to calculate Non-Aeronautical Revenues. It is pertinent to note that Interest Income falls under the category of Non-Aeronautical Revenues. The calculation of Interest Income estimates depends on cash flows and surpluses, which are determined based on the projected revenue collection.

9.2.29 The Authority proposed including the actual Interest Income, along with any other Non-Aeronautical Revenues, in the subsequent Control period's true-up process. This will allow for a comprehensive adjustment and alignment of the financial figures to reflect the accurate revenue generated during the specified period.

9.2.30 Based on the aforementioned factors, the Authority had estimated the total Non-Aeronautical revenues for the First Control Period of Manohar International Airport, Mopa, Goa as follows:

- Revenue from the In-Flight Kitchen had been projected by considering the average revenue per passenger, based on the comparison with benchmark airports in the regional areas (HIAL and Chennai), for FY 2023-24. This estimate was further increased by an annual inflation rate of 4% and traffic growth for the remaining years of the Control Period.
- Revenue from six services, namely F&B (Food and Beverage), Retail, Lounge, Duty-Free, Car parking, and advertisements, had been estimated by considering the average revenue per passenger based on benchmark airports in the regional areas (HIAL, Dabolim, and Chennai) for FY 2023-24. This estimate was further increased by an annual inflation rate of 4% and traffic growth for the remaining years of the Control Period.

- For FY 2023-24, revenue from the leasing of space had been calculated based on the monthly rent per square meter, as stipulated in the executed contracts. However, land rent from CGF (Cargo and Ground Facilities) and airlines had been classified as aeronautical revenue. For subsequent years, a real growth rate of 7% had been considered year-on-year, and 25% increase in land area due to expansion in the Passenger Terminal Building (PTB) area is anticipated in FY 2025-26 and accordingly, revenue has been computed for the same.

9.2.31 Based on the analysis as detailed above, the Authority proposed the following estimates for Non-Aeronautical Revenue for the First Control Period:

Table 138: Non-Aeronautical Revenue proposed by the Authority for First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Reference	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Direct Concession							
Flight Kitchen- Concession Fee	Table 131	2.52	2.99	3.80	4.85	5.70	**19.85**
Retail Concession							
F&B	Table 134	10.33	12.26	15.60	19.92	23.41	**81.52**
Lounge Income		6.95	8.24	10.49	13.39	15.74	**54.81**
Retail Duty Paid		18.14	21.52	27.37	34.96	41.08	**143.06**
Duty Free		12.42	15.37	16.67	19.81	22.26	**86.55**
Car park		3.38	4.01	5.10	6.51	7.65	**26.65**
Advertisement		9.00	10.68	13.58	17.35	20.39	**71.00**
Total Retail Concession		**60.22**	**72.09**	**88.81**	**111.95**	**130.52**	**463.59**
Contract linked Revenues							
Land & Space	Table 137	7.34	7.86	10.51	11.25	12.03	**48.99**
Total NAR as proposed by the Authority (A)		**70.08**	**82.94**	**103.11**	**128.05**	**148.25**	**532.43**
Lease rentals proposed by GIAL, Mopa, Goa as Non-Aero but considered as Aero by the Authority (B)		**6.61**	**7.07**	**9.45**	**10.12**	**10.82**	**44.07**
GIAL, Mopa, Goa's Submission (C)	Table 128	52.48	61.73	73.99	98.62	114.34	**401.16**
Difference (D=A+B-C)		**24.21**	**28.28**	**28.57**	**39.55**	**44.73**	**175.34**

9.2.32 The Authority emphasized the importance for GIAL, Mopa, Goa to generate and receive adequate amount of Non-Aeronautical Revenue comparable to other PPP airports in this aspect. This is necessary to effectively cross-subsidize the charges imposed on users and ensure efficient operations.

9.3 Stakeholders' comments regarding Non-Aeronautical Revenue for the First Control Period

GIAL's comments regarding Non-Aeronautical Revenue for the First Control Period:

9.3.1 GIAL's comments regarding In-flight kitchen revenue are as follows:

In-flight kitchen

The calculation for in-flight kitchen revenue is erroneous for HIAL as provided by AERA, given that the in-flight kitchen revenue for FY24 is Rs. 13.58 crores, not Rs. 15.42 crores as provided by AERA (Rs. 15.42 crores includes lease rentals). The relevant extract is presented below:

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on the aforementioned analysis, the non-aero revenues as decided by the Authority are summarised in the below table:

Table 152: Non-Aeronautical revenues decided to be considered by the Authority for the Third Control Period

Particulars (In Rs. Crores)	2022	2023	2024	2025	2026	Aggregate for the Third Control Period
In-Flight Kitchen						
Revenue Share (i)	6.88	11.96	13.58	15.47	18.64	66.53
Lease Rentals (ii)	1.67	1.75	1.84	1.93	2.03	9.21
IFK Revenues (a) = (i) + (ii)	8.55	13.71	15.42	17.40	20.66	75.74
Duty Free						
Revenue Share (In Rs. Crores) (i)	10.00	43.56	63.81	71.87	80.36	269.60
Rental (In Rs. Crores) (ii)	2.09	2.19	2.30	2.41	2.54	11.53
Duty Free Revenues (b) = (i)+ (ii)	12.08	45.75	66.11	74.29	82.89	281.13

In view of the above, it is requested that the in-flight kitchen revenue for HIAL may be corrected by AERA.

9.3.2 GIAL's comments regarding retail concessions are as follows:

A. ***Lounge income:***

Lounge business is expected to be lower in Goa v/s the benchmarked airports because of 3 main reasons;

1) *Low international traffic and budget conscious profile of international travelers.*
2) *In case of domestic traffic – the majority of lounge users are credit/debit card beneficiaries at the benchmarked airports. However, in the case of Goa, passengers with access to Credit/debit cards offering free airport lounge benefit constitute only part of the total domestic traffic, therefore the ability of the lounge business to generate higher IPP gets limited.*
3) *Lounges are generally used by corporates/ business class travelling alone, whereas in Goa, passengers travel in groups and not necessarily every member of the group has the card with airport lounge access feature, so lounge penetration is limited in Goa v/s the benchmarked airports.*

Hence, we request AERA to consider the lounge income as requested by GGIAL.

B. ***Duty Free IPP:***

Goa is a different market than any other benchmarked airport. Firstly, in terms of international traffic, Goa is a tourist market. The majority of foreign tourists arriving in Goa travel on charter *flights. Charter flights generally carry group tourists who are budget conscious. Secondly, unlike majority of international airports in India, Goa does not have significant share of Indians travelling which is the main reason for a weak duty free IPP. Indians coming back from overseas buy at arrivals at other airports which in-turn improves the SPP and as a result IPP also improves. However, in case of Goa overseas Indian segment is very small primarily due to the small population of the catchment area and due to the fact that the international air connectivity of Goa is limited. Hence the IPP would be further lower. Hence, we believe that the submission made by GGIAL is valid in terms of the SPP and the IPP.*

C. *Lower car park IPP*:

a) *Due to resistance from car owners, we have kept very low parking rates to encourage them to use the parking facility in Mopa Airport.*
b) *Being a tourist destination, the major business in GT & CP is managed by taxi unions which are unregulated, and tariffs are controlled and dictated by unions etc. Hence airport charges for pickups from Mopa Airport are not comparable with other airports.*
c) *No major organized players like Ola and Uber are operating in Goa due to local political sensitivities as imposing aggressive airport pickup fee is not viable.*
d) *Self-drive is an important business piece in Goa and constitutes of large share of the airport pickup. This is also unorganized, and pickups usually happen through unauthorized noncommercial vehicles which do not pay any charge to the Airport.*

Hence, to compare the best comparator would be Dabolim which faces the same challenge as Mopa airport. There is no reason to consider a RPP of 2 times that of Dabolim Airport. Given GGIAL is a new airport, at best it can strive to achieve the same RPP as Dabolim Airport. In view of the same, we request AERA to please consider the same RPP as that of Dabolim Airport.

D. *Advertisement IPP:*

Goa is not a major consumer market like benchmarked airports, with a very limited client/ agency base. Therefore, the advertisement budget allocation by brands for Goa market is not significant because of the small size consumer base, limited overall traffic and very insignificant business travelers' vs benchmarked airports. Secondly, outdoor media sites are limited in quantity because the advertising rights on the main access road are limited since it does not belong to the Airport. Smaller market size and limited outdoor options limit the ability of the Advertising concessionaire to generate a higher IPP. The IPP is comparable to Dabolim which works in a similar environment hence can only be benchmarked to MoPA at the best.

9.3.3 GIAL's comments regarding Land and Space are as follows:

Lease of land does not in any way constitute any kind of aeronautical service. As per the Concession Agreement signed for Mopa, GOA, "Aeronautical Services" has the meaning as set forth in the AERA. Act in relation to the services to be provided at the Airport. Article 2, Chapter 1 of the AERA Act lists down the aeronautical services which includes services provided for:

1) *Navigation, surveillance and supportive communication*
2) *Landing, housing and parking*
3) *Ground safety services*
4) *Ground handling services*
5) *Cargo facility*
6) *Supplying fuel*
7) *For a stakeholder at the airport, for which the charges, in opinion of the Central Government, may be determined by the Authority.*

As evident, lease of land does not constitute any of these above services. Hence, land and space for CGF and Airlines should not be considered aeronautical in nature.

Other Stakeholders' comments regarding Non-Aeronautical Revenue for the First Control Period:

9.3.4 IATA's comments regarding non-aeronautical revenue for the First Control Period are as follows:

IATA notes from the consultation paper regarding the Master Services Agreement (MSA) that the AO was undertaking and awarding to its parent/holding company GAL, has been cancelled on account of the intervention by the Government of Goa. We want to compliment the Government of Goa for its vigilance and action. However, we also note that the MSA is up for re-tendering and is likely to be awarded soon. We would like to highlight our concerns with the design of MSA that is increasingly being resorted to by private airport operators, including by GIAL in this instance.

We do strongly agree that the earlier version of MSA by GIAL was flawed in its design, as well as in its understanding of NAR. It is to be noted that:

- *While 30% of the NAR of GIAL is to be used for cross subsidizing the aeronautical charges, the structure of the related party award of the MSA to GAL would have limited it to 20.25% of the revenue share offered by GAL, to the AO.*
- *30% of the 20.25% revenue share would have thus been offered to cross-subsidize Aeronautical charges, i.e., a mere 6%, as against the entire 30% of the total NAR, required under the hybrid till mechanism.*

IATA has earlier highlighted similar concerns with this new emerging mechanism of MSAs being entered into with their holding companies for non-aeronautical revenues. Adani Airport was proposing a similar mechanism for Ahmedabad and Lucknow airports, where the MSA had been entered into by the airport operators with their parent company Adani Airport Holdings in that case. IATA had opposed the same and requested AERA to address the issue, and we now see that GMR Airports too is adopting a similar MSA mechanism which will artificially reduce the NAR for the Airport operator – and IATA strongly opposes the same.

IATA would urge AERA to use the final order for GOX to correct all airport operator's understanding of NAR, by explicitly stating/confirming in the final Order that-

- *30% of the total NAR of the AO is to be recognized in offsetting aeronautical costs; and*
- *The level of 'Revenue share offered in any Master Service Agreement' earned by the AO, is not material to tariff determination.*

9.3.5 FIA's comments regarding substantially low NAR projected by GIAL are as follows:

It is observed that the Non-Aeronautical Revenues ('NAR') projected by GIAL is substantially low and conservatively estimated, with a standard approach without detailed thought to each line item. It is requested that GIAL explores all avenues to maximize revenue from the utilization of terminal building for non-aeronautical purposes.

As correctly emphasized by AERA in para 9.2.32, that GIAL should generate and receive adequate amount of NAR comparable to other PPP airports, as GIAL's projection of NAR for the FCP is INR 401.16 crores, which is quite less.

There appears to be scope of considerable improvement in increasing the NAR. The projections for the NAR should at least 50% of the O&M expenses of Rs. 2,032.90. This percentage and/or approach is well recognized by AERA in other Consultation Papers/tariff order issued by them, for example, Kolkata, Pune and Chennai.

Further, it may be noted that:

a) AERA analyzed the NAR during this control period into three revenue streams namely a) Direct concession- Inflight Kitchen (4%); b) Retail concession (87%) and; c) Land & space (9%).

b) Due to cancellation of retail concession agreement by Government of Goa, AERA have estimated 87% of NAR based on the average revenue per pax of other comparable airports.

c) AERA have estimated revenue for Direct Concession and Retail Concession basis the average revenue per passenger for GHIAL and Chennai for FY24 and it is further increased by 4% inflation rate and passenger growth. Accordingly, NAR per pax increased by 4% in FY24 and only 1%-2% in the balance control period. In view of that, it can be stated that the entire NAR growth is driven by passenger growth, which has been considered based on estimates and not based on any independent study by AERA.

FIA would further like to highlight that the WPI inflation has been considered for inflationary increase, however the revenue from NAR is coming from passengers and in case of F&B, retail, duty free, actual inflation is much higher than WPI. We also would request AERA to provide clarity for not considering CPI/Food Inflation in this regard.

It may be noted that, in other PPP Airports like DIAL, MIAL, BIAL, while truing up the NAR in subsequent control periods have always been the under-estimation and leads to higher tariff in the control periods.

FIA submits that Goa is widely recognized as one of the most popular tourist destinations globally. The successful completion of the G20 summit is also expected to have significantly boosted the air traffic to the city. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.

Accordingly, we request AERA:

a) to mandate GIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at GIAL.

b) to kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the FCP.

c) to further determine and re-assess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Goa has to increase their NAR in accordance with the submissions above.

AERA is requested to ensure no adjustments are proposed to NAR which are not dependent on traffic but are derived from agreements with concessionaires.

Further, it is to be noted that NAR as a % of ARR is lowest (14%) in the case of GIAL as compared to the latest orders issued by the AERA in the case of the other airports. As per the table below, even Dabolim Airport and Cochin Airport have 22% and 32% NAR as % of ARR. Hence, it is submitted that AERA has taken a conservative approach in order to determine the NAR.

NAR as a % of ARR for comparable airports for TCP

Particulars	*NAR*	*ARR*	*NAR as a % of ARR*
GIAL as per CP NO. 11/2023-24	*532*	*3,807*	*14%*
Dabolim (Order No. 04/ 2022-23)	*261*	*1,177*	*22%*
Cochin Order No. 08/2021-22	*1,040*	*3,221*	*32%*
Chennai (Table 130 of Order No. 38/2021-22)	*1,653*	*4,089*	*40%*
HIAL (Order No. 12/2021-22)	*2,844*	*6,365*	*45%*

9.3.6 FIA's comments regarding Average revenue per pax of In-Flight Kitchen are as follows:

As per para 9.2.6 of the CP, AERA have proposed an adjustment of 30% to the average revenue per pax calculated para 9.2.5 of the CP, AERA have provided the rationale that there is another airport in the close vicinity. However, the same percentage has not been derived through a technical assessment of the average revenue per pax.

We noted that the revenue per pax post average is INR 3.66 and that of Chennai is INR 3.85. Hence, in our view there is no rationale of adjusting the 30% average per pax revenue without any basis.

It is submitted that:

- *a) AERA should clarify any adjustments made in the retain concession, (such as 30% in lounge services)*
- *b) the flight kitchen revenue per pax is lowest in case of GIAL as per compared to other PPP airports.*
- *c) AERA should also consider the CPI / Food Inflation instead of the WPI inflation rates as the flight kitchen revenue is derived from F&B consumers as 4% WPI inflation will not be correct reflection of the actual revenue.*

9.3.7 FIA's comments regarding interest income are as follows:

FIA observes that AERA have proposed to consider the interest income as part of NAR on actual basis in the next control period. AERA have estimated the same solely on the basis that GIAL has not provided the necessary estimates for interest income.

However, we request AERA to consider its approach in other similar airports such as:

- *a) BIAL – AERA had considered interest income on estimated cash basis (refer as per Table 46 of Order 11/2021-22).*
- *b) Cochin Airport- AERA have considered the interest income on the prevailing interest rate for major banks during (refer Order No. 8/2021-22)*

In this regard, we request AERA to adopt a consist approach for treatment of interest income in the Calculation of "S" factor (Ref para 2.1.6 of CP).

FIA in his previous submission for DIAL and MIAL have referred to the TDSAT judgement dated 16th December 2020

"In the said Hon'ble TDSAT directions AERA's decision to include Other Income such as Interest Income as part of the cross subsidization was not interfered with as can be seen in Paragraphs 71 – 73 of the concerned Hon'ble TDSAT Order.".

In view of the above, we submit that the airport user cannot be burdened solely on the basis that "GIAL has not submitted the required necessary estimates for interest income', and end users shall not be burdened or impacted due to such issue.

9.3.8 APAO's comments regarding considering land lease from CGF and Airlines as Aeronautical Revenue by the Authority as follows:

We humbly submit that Lease of land does not in any way constitute any kind of aeronautical service. As per Article 2, Chapter 1 of the AERA Act, it lists down the aeronautical services which includes services provided for:

- *a. Navigation, surveillance and supportive communication*
- *b. Landing, housing and parking*
- *c. Ground safety services*
- *d. Ground handling services*
- *e. Cargo facility*
- *f. Supplying fuel*
- *g. For a stakeholder at the airport, for which the charges, in opinion of the Central Government, may be determined by the Authority.*

As evident from the above list, the lease of land does not constitute any of the abovementioned services. Hence, the land and space provided for CGF and Airlines should be considered as non-aeronautical in nature.

9.3.9 LIAL's comments regarding Space rentals from Airlines classified as Aeronautical are as follows:

The AERA Act, 2008 and the AERA Guidelines do not categories the airline space rental as aeronautical revenue and the Authority does not regulate the airline space rental for the Airport Operator.

As per ICAO Doc 9562 the space rentals from Airlines are considered as Non-Aeronautical Revenues. Following are the relevant extracts of the same:

"Revenues from non-aeronautical sources: Any revenues received by an airport in consideration for the various commercial arrangements it makes in relation to the granting of concessions, the rental or leasing of premises and land, and freezone operations, even though such arrangements may in fact apply to activities that may themselves be considered to be of an aeronautical character (for example, concessions granted to oil companies to supply aviation fuel and lubricants and the rental of terminal building space or premises to aircraft operators). Also intended to be included are the gross revenues, less any sales tax or other taxes, earned by shops or services operated by the airport itself."

Rentals payable by commercial enterprises and other entities for the use of airport-owned building space, land or equipment. Such rentals should include those payable by aircraft operators for airport-owned premises and facilities (e.g. check-in counters, sales counters and administrative offices) other than those already covered under "air traffic operations".

It is evident that space rentals from Airlines should be considered non-aeronautical in nature.

9.4 GIAL's response to stakeholders' comments regarding Non-Aeronautical Revenue for the First Control Period

9.4.1 GIAL has responded to IATA's comments regarding non-aeronautical revenues for the First Control Period as follows:

In this regard, would like to refer to para 32.3.2 of the concession agreement awarded to GGIAL wherein the mechanism of Till frameworks is made applicable to GGIAL. The relevant paragraph of the concession agreement is reproduced below: -

"32.3 Principles of Determination and Revision of Aeronautical Charges

32.3.2 The GoI has, vide its letter no. F. No. AV.21011112I2013-AD dated April 13, 2015, approved the 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions of this Agreement. For avoidance of doubt, revenues of the Concessionaire from City Side Development shall be excluded from the shared-till framework for the determination and regulation of the Aeronautical Charges."

It is evident from the above that the application of Till shall be 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, with the exclusion of revenues from City Side Development.

Further, reference is invited to AERA order bearing no. 14/2016-17 dated 12th January 2017 (issued on 23rd January 2017) in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provision of the National Civil Aviation policy 2016 (NCAP-2016) approved by Government of India. In the stated order the Authority had decided that

The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenue 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. Hence, the objection of IATA is not sustainable.*

9.4.2 GIAL has responded to FIA's comments regarding non-aeronautical revenues for the First Control Period as follows:

FIA requested AERA to:

1) *mandate GGIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at GGIAL*
2) *undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the FCP*
3) *further determine and re-assess their estimates in line with other comparable airports.*

In this regard, it is stated that non-aeronautical revenue submitted by GGIAL in MYTP is systemically calculated. The FIA is misleading the authority by its comments to consultation paper. On one side FIA is arguing that O&M expenses should be reduced and on the other side insisting on considering nonaeronautical revenue as 50% of O&M expenses submitted by GGIAL.

Further, considering the fact that Manohar International Airport, Mopa, Goa is a new greenfield airport and has to compete with another airport in close vicinity, AERA is requested to kindly consider nonaeronautical revenue as submitted by GGIAL in its MYTP. We would like to respectfully place reliance on the comments submitted on the non-aero revenues in our submission to the Authority vide letter dated 29th September 2023.

Regarding considering the CPI / Food inflation instead of WPI inflation it is stated that considering WPI as escalation factor is standard practice followed by AERA in case of other PPP and AAI Airports.

9.4.3 GIAL has responded to FIA's comments regarding interest income as follows:

It is pertinent to note that Interest Income falls under the category of revenues from services other than aeronautical services. The calculation of Interest Income estimates depends on cash flows and surpluses, which are determined based on the projected revenue collection. Thus, the Authority's proposal to include the actual Interest Income in the subsequent Control period's true up process is correct. This will allow for a comprehensive adjustment and alignment of the financial figures to reflect the accurate revenue generated during the specified period.

9.5 Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue for the First Control Period

In-flight kitchen revenues

9.5.1 The Authority notes GIAL's comment on the In-flight kitchen revenue benchmark to be corrected. The Authority has decided to correct the same and consider the HIAL in-flight kitchen revenue for FY 2023-24 as submitted by GIAL for benchmarking purpose to be Rs. 13.58 crores. Accordingly, the Revenue per passenger and the inflight revenue decided to be considered by the Authority are as detailed below:

Table 139: Revenues per passenger of In-Flight Kitchen of Comparable Airports to Manohar International Airport, Mopa, Goa

Airport	Order No	Revenue (Rs. in crores) (FY 24)	Traffic (in MPPA) (FY 24)	Revenue Per Pax
HIAL	Order No_12_2021-22	13.58	23.36	5.81
Chennai	Order No_38_2021-22	9.21	23.92	3.85
Average Revenue Per Pax (RPP)				**4.83**

Table 140: In Flight Kitchen Revenue for FY 2023-24 for Manohar International Airport, Mopa, Goa decided by the Authority

Particulars	Reference	FY 24
Traffic (A) (in MPPA)	Table 40	5.12
Average Revenue Per Pax adjusted by 30% (B) (Rs. Per Pax)	Table 139	3.38
In Flight Kitchen Revenue decided by the Authority (C) = (A)x(B)/10 (Rs. in crores)		**1.73**

Basis for consideration of IPP for certain revenues

9.5.2 The Authority notes GIAL's comment relating to IPP of certain Non-Aeronautical Revenue. The Authority notes that the revenue projected by GIAL towards NAR for the Control Period, is much lower as compared to the other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the NAR projected by such PPP airports are either equal or higher or constitute at least 50% of the total O&M expenses projected by them for the respective Control Period.

With the steady increase in passenger traffic and expansion of Terminal Building area, the Authority estimates an increase in passenger related non-aeronautical revenue across the Control Period. Moreover, the Authority notes that in the initial years, the traffic will be lesser than the capacity planned, allowing for flexibility to dedicate a higher area for Non-aeronautical activities. In its evaluation the Authority has considered suitable benchmarking and suitable adjustment factors where relevant. Hence the Authority decides not to make changes to the estimates considered by it during the Consultation Stage.

The Authority notes the comments by FIA on the adjustment factors considered by the Authority for estimating certain Non-Aeronautical Revenues. The Authority has evaluated the benchmarks from other airports and moderated the same considering the operating circumstances of GIAL. The Authority notes that the First Control Period is a stabilization period, post which the trends will be clear which will be considered in the next control period.

Lease Rentals from CGF and Airlines

9.5.3 The Authority notes GIAL, APAO and LIAL's comment on Land Lease revenues and is of the view that land is not merely a passive resource but an active enabler of aeronautical services. It forms the physical platform upon which all aviation activities take place as such, it should be recognized as an integral and indispensable part of aeronautical activities. Thus, it is decided to consider revenues from land related to aeronautical activities to be treated as aeronautical revenue.

The Authority notes that Cargo, Ground Handling and Fuel Farm services have been considered as Aeronautical by GIAL itself. Different commercial arrangements may be entered into between the Airport Operator and the ISP service providers with varying degrees of source of revenue such as lease rentals and revenue share. The Authority notes that the underlying service is Aeronautical and hence the Authority decides to consider the lease rentals as Aeronautical.

Interest Income

9.5.4 The Authority has carefully reviewed FIA's comment and GIAL's response on the Interest income. It is important to note that each airport may have unique financial dynamics, and decisions are made based on available information and best practices. While BIAL and Cochin Airport have been treated differently, it is important to consider the specific circumstances and data available for those airports at the time of evaluation.

The Authority understands FIA's concern about end users being burdened due to issues related to interest income estimates. The Authority's aim is to ensure a fair and balanced tariff structure that takes into account the interests of all stakeholders, including passengers and operators, which has been considered while projecting the estimated of NAR for the control period. Interest Income is also dependent on the cash flow based on the final revenues being considered.

Master Concession Agreement

9.5.5 The Authority notes IATA's comments regarding the Non-Aeronautical Revenues from Master Concession Agreement entered into by GIAL with its Group company. This Master Concession Agreement has not been approved by GoG and hence the same has been disregarded by the Authority in evaluation of relevant Non-Aeronautical Revenues. The Authority has proceeded to benchmark and evaluate the Non-Aero Revenues based on the results from other airports and has estimated the Non-Aero Revenues for the First Control Period.

Further, the Authority reiterates to GIAL that the Non-Aeronautical Revenues earned by the Airport operator has to be comparable with that of other PPP airports, in order to be able to earn additional revenues and cross subsidize the Aeronautical charges. Contracts entered into for Non-Aero Revenues will be critically reviewed and evaluated by the Authority at the time of determination of tariff for the next control period.

9.5.6 The Authority notes the comments submitted by FIA on estimation of Non-Aero Revenues and the response submitted by GIAL. The Authority has carried out an independent review of Non-Aeronautical Revenues and adjusted the estimates. The Authority has stated at the Consultation Stage and reiterates again in this Order the need for GIAL to ensure generation of optimum Non-Aeronautical Revenues. The Authority will review the same in the next Control Period based on the evaluation of contracts entered into and revenues generated from the same.

Inflation rate

9.5.7 The Authority notes that WPI inflation is considered as a standard practice. This will be reviewed by the Authority in future and appropriately updated in future, if required.

9.5.8 Based on the above, considering the inflation rates as decided in Chapter 7, change in traffic for FY 2023-24 (refer Table 39) and after updating the benchmark cost of flight catering (refer Table 139), the Authority has decided to consider the Non-Aeronautical Revenue for cross subsidization as computed below:

Table 141: NAR decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Direct Concession						
Flight Kitchen- Concession Fee	1.73	2.76	3.52	4.50	5.29	**17.80**
Retail Concession						
F&B	7.69	12.27	15.63	19.98	23.50	**79.07**
Lounge Income	5.17	8.25	10.51	13.43	15.80	**53.16**
Retail Duty Paid	13.50	21.54	27.42	35.06	41.23	**138.75**

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
Duty Free	2.67	15.39	16.70	19.87	22.35	**76.98**
Car park	2.51	4.01	5.11	6.53	7.68	**25.85**
Advertisement	6.70	10.69	13.61	17.40	20.46	**68.86**
Total Retail Concession	**38.24**	**72.16**	**88.98**	**112.27**	**131.02**	**442.67**
Contract linked Revenues						
Land & Space	7.34	7.86	10.51	11.25	12.03	**48.99**
Total NAR as decided by the Authority (A)	**47.32**	**82.78**	**103.01**	**128.02**	**148.34**	**509.47**
Lease rentals proposed by GIAL, Mopa, Goa as Non-Aero but considered as Aero by the Authority (B)	**6.61**	**7.07**	**9.45**	**10.12**	**10.82**	**44.07**
GIAL, Mopa, Goa's Submission (C)	52.48	61.73	73.99	98.62	114.34	**401.16**
Difference (D=A+B-C)	**1.45**	**28.12**	**38.46**	**39.52**	**44.82**	**152.38**

Note: Due to the reasons stated above in para 9.5.8 the Non-Aeronautical revenue has decreased by Rs. 22.96 crores from Consultation Stage to Tariff Order Stage.

9.6 Authority's decisions regarding Non-Aeronautical Revenues for the First 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 First Control Period.

9.6.1 To consider non-aeronautical revenues for the First Control Period for Manohar International Airport, Mopa, Goa in accordance with Table 141.

9.6.2 GIAL, Mopa, Goa should make efforts to substantially increase the NAR of Manohar International Airport, Mopa, Goa for the First Control Period, in line with similar airports.

9.6.3 To consider actual Interest Income as part of Non-Aeronautical Revenue at the time of true up.

9.6.4 To review Non-Aeronautical Revenue and true up based on actuals at the time of determination of.tariff for next control period, subject to minimum threshold as decided by the Authority in Table 141.

10 TAXATION FOR THE FIRST CONTROL PERIOD

10.1 GIAL's submission regarding Aeronautical Taxation for the First Control Period

10.1.1 GIAL, Mopa, Goa had submitted that it has opted for benefit provided under Section 115BAA of the Income Tax Act resulting in an effective tax rate of 25.17%. Consequently, the company need not pay tax under MAT (Minimum Alternate Tax) if they opt for Section 115BAA. Accordingly, GIAL, Mopa, Goa has not considered MAT in tax calculations.

10.1.2 While calculating tax, GIAL, Mopa, Goa has considered the following:

- Concession fee payable by GIAL, Mopa, Goa is not considered as an expense.
- 30% Non-Aeronautical Revenue had been considered for cross subsidization.

10.1.3 GIAL, Mopa, Goa had calculated tax based on standalone Aeronautical P&L arrived on the basis of aeronautical building blocks. Estimated Tax proposed by GIAL, Mopa, Goa, based on building blocks as per MYTP submission is as detailed below:

Table 142: Aeronautical taxes submitted by GIAL, Mopa, Goa for First Control Period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Aero Revenue	559.62	1,065.72	1,366.20	1,760.62	2,087.57	6,839.73
Non-Aero cross subsidy	8.05	6.39	7.50	1.94	0.78	24.66
Total Aero Revenue	567.67	1,072.11	1,373.70	1,762.55	2,088.35	6,864.38
Aero O&M	(267.62)	(305.96)	(389.12)	(464.26)	(517.03)	(1,944.00)
Depreciation	(163.34)	(169.72)	(182.51)	(195.31)	(196.77)	(907.66)
Interest	(226.87)	(224.33)	(214.90)	(194.76)	(158.80)	(1,019.66)
Aero PBT	(90.16)	372.10	587.17	908.21	1,215.74	2,993.06
Add: Book Depreciation	163.34	169.72	182.51	195.31	196.77	907.65
Less: Tax depreciation	(347.61)	(338.55)	(300.20)	(332.22)	(292.46)	(1,611.04)
Taxable Profit	(274.42)	203.27	469.48	771.31	1,120.96	2,290.60
C/f loss adjusted		(203.27)	(400.83)			(604.10)
Net Taxable profit	-	-	68.65	771.31	1,120.96	1,960.92
Tax rate			25.17%	25.17%	25.17%	
Income Tax			**17.28**	**194.12**	**281.90**	**493.30**

10.2 Authority's examination regarding Aeronautical taxation for the First Control Period at Consultation Stage

10.2.1 The Authority noted that GIAL, Mopa, Goa had considered 30% Non-aeronautical Revenue in the estimation of Aeronautical Profit Before Tax (PBT), which was then used in the computation of aeronautical taxes. The fact that a part of Non-aeronautical Revenue is used for cross subsidization as per the Hybrid Till mechanism does not change the nature of such revenue to Aeronautical. Further, the cross subsidization as per the Hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize GIAL, Mopa, Goa to make effective investments in Non-aeronautical income generating sources.

10.2.2 Therefore, the Authority was of the view that:

- 30% Non-Aeronautical Revenue should not be treated as a subsidy for GIAL, Mopa, Goa as GIAL, Mopa, Goa has already earned it from non-aeronautical services and is meant as a cross subsidy to the airport user.
- The consideration of 30% Non-Aeronautical Revenue as part of revenue from aeronautical services would result in an unfair enrichment to GIAL, Mopa, Goa, effectively reducing the cross-subsidy benefit to the airport user from the present 30% non-aeronautical income.

10.2.3 Therefore, the Authority proposed to consider only aeronautical revenue and expenses in the calculation of aeronautical PBT.

10.2.4 The Authority noted that the Interest cost considered by GIAL, Mopa, Goa as a reduction to compute Aeronautical Profit was not reflective of the estimated Interest cost to be incurred. GIAL, Mopa, Goa had computed the Interest cost for reduction from Profit as follows:

- Average Aeronautical RAB for the year was considered as the base value
- On this, the Debt: Equity ratio for the respective year was applied and a quantum of debt was arrived notionally.
- Cost of debt was applied on this notional value to compute the interest cost

10.2.5 This had resulted in considering lower interest cost, significantly for FY 2025-26 to FY 2027-28, which resulted in estimating higher Aeronautical Profit and consequently, higher Aeronautical taxes. This difference was explained in the below table.

Table 143: Interest cost as per MYTP submission and Interest cost considered in Aeronautical P&L by GIAL, Mopa, Goa

(Rs. in crores)

Particulars	Reference	FY24	FY25	FY26	FY27	FY28	Total
Interest cost to be							
Average Debt as per GIAL, Mopa, Goa	A	2,358.74	2,491.90	2,588.79	2,475.83	2,302.27	
Interest cost estimate at 9%	B=A*9%	212.29	224.27	232.99	222.82	207.20	**1,099.58**
Asset ratio as per GIAL, Mopa, Goa	C	97.60%	97.60%	97.60%	97.60%	97.60%	
Aero Interest cost as per above	**D=B*C**	**207.19**	**218.89**	**227.40**	**217.48**	**202.23**	**1,073.19**
Interest cost considered							
Average Aeronautical RAB	E	3,497.34	3,462.92	3,559.70	3,643.69	3,472.04	
Debt: equity ratio	F	62.07%	61.99%	57.77%	51.15%	43.77%	
Base value for Interest	G=E*F	2,170.96	2,146.70	2,056.41	1,863.77	1,519.58	
Aero Interest cost considered at 10.45%	**H=G*10.45%**	**226.87**	**224.33**	**214.90**	**194.76**	**158.80**	**1,019.65**

10.2.6 The Authority proposed to correct the methodology of estimating Interest cost for computing Profit, by aligning the same with the estimated interest cost for the relevant year.

10.2.7 Also, the Authority had recomputed Aeronautical Tax of GIAL, Mopa, Goa based on the changes proposed to the other building blocks and based on the proposal discussed above on exclusion of Non-aeronautical Revenue.

10.2.8 Based on the above, the following table summarizes the aeronautical taxes proposed by the Authority for the First Control Period.

Table 144: Aeronautical taxes proposed to be considered by the Authority for First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Reference	FY24	FY25	FY26	FY27	FY28	Total
Aero Revenue *	A	452.88	614.24	779.63	992.94	1,164.91	**4,004.59**
Aero O&M	B	184.29	197.51	248.56	279.35	293.79	**1,203.51**
Depreciation as per Income Tax **	C	291.72	302.10	294.28	287.05	256.70	**1,431.85**
Total	D=A-B-C	(23.13)	114.62	236.79	426.54	614.42	1,369.23
Interest cost estimate	E	207.19	218.89	227.40	217.48	202.23	**1,073.19**
Aero PBT	**F=D-E**	**(230.33)**	**(104.27)**	**9.39**	**209.07**	**412.19**	**296.05**
C/f loss of previous years		(215.68)	(446.00)	(550.27)	(540.88)	(331.82)	
Losses Added/Utilized		(230.33)	(104.27)	9.39	209.07	412.19	
PBT after set off of C/f losses		**(446.00)**	**(550.27)**	**(540.88)**	**(331.82)**	**80.37**	
Tax rate		25.17%	25.17%	25.17%	25.17%	25.17%	
Income Tax		-	-	-	-	20.23	

** Aero revenue is computed based on Net ARR per pax; this was subject to revision based on Tariff Rate Card which is to be submitted by GIAL, Mopa, Goa.*

***Computed using WDV method considering useful lives as per IT Act*

10.3 Stakeholders' comments regarding Aeronautical Taxation for the First Control Period

GIAL's comments regarding Aeronautical Taxation for the First Control Period:

10.3.1 GIAL's comments regarding consideration of only aeronautical revenue and expenses in calculation of Aeronautical PBT are as follows:

The Authority while calculating the taxation for the GGIAL has considered aero revenues, however, the cross-subsidy equivalent to 30% has not been considered as income in the calculations. The formula of tariff determination clearly demonstrates that the Target Revenue is determined based on aeronautical building block post cross subsidy of 30% revenue from non-aeronautical revenues. This means that part of the aeronautical revenue has been recovered from 30% of non-aeronautical revenues. Therefore, once part of the aeronautical revenue has been recovered from 30% of revenue from non-aeronautical revenues, the effect of S Factor should also be given in 'T' i.e. corporate tax pertaining to Aeronautical Services.

In case of DIAL TDSAT order dated 21.07.2023, TDSAT has allowed inclusion of 30% of non-aero revenue for aero tax calculation. The relevant extracts are as below:

"Once the amount of "S-factor" which is 30% of the gross revenue generated from Revenue Share Asset becomes part and parcel of the target revenue, it also having a color of aeronautical revenue and, therefore, tax-T ought to be calculated even upon amount equal to "S" factor."

"……target revenue as per the aforesaid formula is determined, based on aeronautical building block post cross subsidy of 30% revenue from Revenue Share Assets and, therefore, out of total target revenue, 30% has been recovered from the revenue generated by JVC from Revenue Share Assets. In view of this formula of Target Revenue, it is abundantly clear that in a recovery of Target Revenue for aeronautical services, "S-factor" is one of the mechanism of calculation in the formula of TR thus, the amount of "S-factor" partakes the character of aeronautical revenue and, therefore, once the part of aeronautical revenue has been recovered from 30% of revenue from Revenue Share Assets, the effect of "S-factor" should also be given in "T" (i.e. corporate tax pertaining to aeronautical services)."

"AERA's contention that including S- Factor in calculation of Tax will result in an artificial tax benefit and overstate aeronautical tax is also misconceived and misleading. S factor has been considered in aeronautical Profit & Loss to arrive at Aeronautical Profit Before Tax (PBT) and the allocation of actual tax paid by DIAL is in the ratio of Aeronautical and Non-Aeronautical PBT and thus will not result in creation of artificial tax. Further, inclusion of S Factor in Tax and consequent consideration of S Factor as aeronautical revenue will provide true aeronautical profit and accurate base to calculate 'T'."

The relevant extracts are as below:

Looking to the formula of target revenue TR = RBix WACO + OM TS, it is to be kept in mind that by addition of various components as stated hereinabove in the formula what is arrived at is the target revenue for aeronautical services.

Once the amount of "S-factor which is 30% of the gross revenue generated from Revenue Share Asset becomes part and parcel of the target revenue, it also having a color: of aeronautical, revenue and therefore, tax-T ought to be calculated even upon amount equal to "S" factor.*

We do not agree with the aforesaid reasons by AERA mainly for the reason that because the target revenue as per the aforesaid formula is determined, based on aeronautical building block post cross subsidy of 30% revenue from Revenue share assets and, therefore out of total target revenue, 30% has been recovered from the revenue generated by JVC from Revenue Share Assets. In view of this formula of Target Revenue, it is abundantly clear that in a recovery of Target Revenue for aeronautical services, "S-faetor" is one of the mechanism of calculation in the formula of TR thus, the amount of "S-factor" partakes the character of aeronautical revenue and, therefore, once the part of aeronautical revenue has been recovered from 30% of revenue from Revenue Share Assets, the effect of "S-factor" should also be given in "T" (i.e. corporate tax pertaining to aeronautical services).

We therefore quash and set aside the decision of AERA which is 2nd and 3rd Tariff Order which are impugned orders in these AERA Appeals to the extent that "S-factor" is excluded as a part of aeronautical revenue base while determining aeronautical taxes (i.e. T). We hereby hold that 'S" factor is a part of aeronautical revenue base while determining aeronautical taxes (i.e. T).

The tariff determination formula for the GGIAL under the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff or Airport Operators) Guidelines, 2011 is similar to that of DIAL for the purposes of cross subsidy. Hence, in view of the above and the TDSAT judgment mentioned we request AERA to consider 30% cross subsidy as part income for aeronautical tax calculations.

Other Stakeholder's comments regarding Aeronautical Taxation for the First Control Period:

10.3.2 The Authority noted that there are no stakeholder comments with respect to Aeronautical Taxation for the First Control Period.

10.4 Authority's analysis on Stakeholders' comments regarding Aeronautical Taxation for the First Control Period

10.4.1 The Authority has noted the comments of GIAL on the need to consider 30% Non-Aero revenues as part of the P&L for computing Aeronautical taxes and the reference to the TDSAT Order for DIAL.

The Authority notes that the tariff methodology for DIAL is detailed in the relevant State Support Agreement and the Tariff determination for DIAL are made based on the methodology detailed in such State Support Agreement. The Authority also notes that the Concession Agreement of GIAL also indicates a 30% Shared Till. AERA had issued Order No. 14/2016-17 dated 23rd January 2017 in order to align with the NCAP 2016 policy. The Authority notes that these guidelines only provide for subsidizing 30% of the Non-Aero Revenues in computing the ARR and does not mandate that tax on the same needs to be paid. This is also not explicitly mandated in NCAP. If there was need to consider Taxation cost on such Non-Aero Revenues, as reimbursement payable to the Airport Operator, in effect, the subsidization would not be 30%, which in the Authority's view is not the intent of NCAP 2016 or AERA Guidelines.

The consideration of 30% Non-Aeronautical Revenue as part of revenue from Aeronautical P&L for computation of tax would result in unfair enrichment to the AO effectively reducing the cross-subsidy benefit to the airport user from the present 30% Non-Aeronautical Income.

Based on the above factors, the Authority decides not to consider the 30% NAR as part of Aeronautical P&L, while computing the Corporate Taxes for GIAL for the First Control Period.

10.4.2 Based on the change in other building blocks and the Aeronautical revenue as decided in Chapter 13 the Aeronautical taxes are computed as given below:

Table 145: Aeronautical taxes decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	Reference	FY24	FY25	FY26	FY27	FY28	Total
Aero Revenue (Table 151)	A	250.45	627.59	841.20	1,122.59	1,351.35	**4,193.18**
Aero O&M Expenses (Table 127)	B	229.88	230.49	269.47	285.42	300.20	**1,315.46**
Depreciation as per Income Tax*	C	292.31	302.70	294.81	287.52	257.12	**1,434.46**
Total	D=A-B-C	(271.74)	94.41	276.92	549.65	794.03	1,443.26
Interest cost estimate	E	207.19	218.89	227.40	217.48	202.23	**1,073.19**
Aero PBT	**F=D-E**	**(478.94)**	**(124.48)**	**49.52**	**332.18**	**591.80**	**370.07**
C/f loss of previous years		(225.01)	(703.94)	(828.42)	(778.91)	(446.73)	
Losses Added/Utilized		(478.94)	(124.48)	49.52	332.18	591.80	
PBT after set off of C/f losses		**(703.94)**	**(828.42)**	**(778.91)**	**(446.73)**	**145.07**	
Tax rate		25.17%	25.17%	25.17%	25.17%	25.17%	
Income Tax*		-	-	-	-	36.51	

**Computed using WDV method considering useful lives as per IT Act*

10.5 Authority's decisions regarding Aeronautical taxation for the First Control Period

Based on the materials before it and its analysis, the Authority decides the following with regard to taxation for the First Control Period:

10.5.1 To consider aeronautical tax as per Table 145 for the First Control Period.

10.5.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the next Control Period.

11 QUALITY OF SERVICE FOR THE FIRST CONTROL PERIOD

11.1 GIAL's submission regarding Quality of Service for the First Control Period

11.1.1 GIAL, Mopa, Goa has not made any submissions related to Quality of Service as part of its MYTP submission for the First Control Period.

11.2 Authority's examination regarding Quality of Service for the First Control Period at Consultation Stage

11.2.1 The Authority noted that:

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

11.2.2 The Authority noted that Annexure 1 of Schedule L of the Concession Agreement for Manohar International Airport, Mopa, Goa lays down the following:

"The subjective quality of service shall be measured on the parameter of "Overall satisfaction with the airport" on the ACI ASQ survey to be conducted every quarter. The benchmark score for the parameter "Overall satisfaction with the airport" shall be at least equivalent to such score that the Airport is identified within top 20 (twenty) per centile of all airports in its category in the world. The Concessionaire shall also provide performance on all measured parameters of the ACI ASQ survey as part of the Statements being submitted as per the provisions of the Agreement."

11.2.3 Also, clause 26.8.1 of the CA states that GIAL, Mopa, Goa should participate in the user survey of ASQ undertaken by ACI, conducted every quarter and ensure that the Airport achieves and maintains a rating of at least 4.2 out of 5.0 and / or shall appear within top 20 percentile of all airports, in its category in the world in such survey.

11.2.4 Further, the Authority noted from AAI's website that the ACI ASQ survey results for Goa International Airport of AAI at Dabolim for the 2021 to 2023-Q1 have been in the range of 4.74 to 4.89 (overall score), as against the average score of AAI Airports which ranges from 4.60 to 4.73.

Table 146: ASQ rating for Goa International Airport, Dabolim for the years 2021-2023 Q1

Year	ASQ rating
2021	4.89
2022	4.90
2023 - Q1	4.74

11.2.5 The Authority noted that the ASQ rating awarded to Goa International Airport of AAI, Dabolim is close to the average rating of the AAI airports.

11.2.6 As per the provisions outlined in the Concession Agreement and taking into consideration the ASQ rating maintained by the Airports Authority of India (AAI) at Dabolim Airport, it was expected that Manohar International Airport, Mopa, Goa will strive to achieve a similar or higher ASQ rating. The Authority set this expectation based on the understanding that the Manohar International Airport, Mopa, Goa, being a new airport, should aim to provide a level of service that is at least on par with the existing Dabolim Airport, if not surpass it.

11.3 Stakeholders' comments regarding Quality of Service for the First Control Period

GIAL's comments regarding Quality of Service for the First Control Period:

11.3.1 GIAL's comments regarding Quality of service for the First Control Period are as follows:

We request the Authority to remove this additional requirement, which may not necessarily be in sync with the performance standards outlined in the Concession Agreement that GGIAL has agreed to adhere to throughout the Control Period.

Other Stakeholder's comments regarding Quality of Service for the First Control Period:

11.3.2 The Authority noted that there are no stakeholder comments with respect to Quality of Service for the First Control Period.

11.4 Authority's analysis on Stakeholders' comments regarding Quality of Service for the First Control Period

11.4.1 The Authority notes GIAL's comments relating to Quality of Service. The Authority only monitors the established standards and does not define performance targets. This observation was a suggestion given by the Authority. The Authority decides not to include this in the Tariff Order.

11.5 Authority's decisions regarding Quality of Service for the First Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Quality of service for the First Control Period:

11.5.1 Not to consider any adjustment towards tariff determination for the First Control Period with regard to Quality of Service of GIAL, Mopa, Goa at this stage.

11.5.2 GIAL, Mopa, Goa should ensure that service quality at Manohar International Airport, Mopa, Goa adheres to the performance standards outlined in the Concession Agreement throughout the control period.

12 AGGREGATE REVENUE REQUIREMENT FOR THE FIRST CONTROL PERIOD

12.1 GIAL's submission regarding ARR for the First Control Period

12.1.1 GIAL, Mopa, Goa had submitted ARR and Yield per Passenger (YPP) for the period from 7th December 2022 to 31st March 2023 and First Control Period as per the table below:

Table 147: Aggregate revenue requirement (ARR) submitted by GIAL, Mopa, Goa for the First Control Period

(Rs. in crores)

Particulars	Reference	FY23*	FY24	FY25	FY26	FY27	FY28	Total
RAB	A	3,483.72	3,497.34	3,462.92	3,559.70	3,643.69	3,472.04	
FRoR	B	15.89%	15.89%	15.89%	15.89%	15.89%	15.89%	
Return on RAB	C=A*B	175.34	555.88	550.41	565.79	579.14	551.86	2,978.43
Depreciation	D	49.25	163.34	169.72	182.51	195.31	196.77	956.91
Operating Expense	E	93.74	267.62	305.96	389.12	464.26	517.03	2,037.74
Taxation	F	-	-	-	17.28	194.12	281.90	493.30
30% of NAR	G	1.62	15.74	18.52	22.20	29.58	34.30	121.96
Aggregate Revenue Requirement	**H=(C+D+E+F-G)**	**316.72**	**971.10**	**1,007.57**	**1,132.51**	**1,403.25**	**1,513.26**	**6,344.41**
Total Pax	I	0.70	6.88	7.85	9.60	11.79	13.32	
PV Factor	J	1.05	0.86	0.74	0.64	0.55	0.48	
PV of ARR	K=H*J	331.87	837.92	750.16	727.53	777.83	723.77	4,149.08
Sum of PV of ARR	L							4,149.08
Projected Revenue	M	19.78	559.62	1,065.72	1,366.20	1,760.62	2,087.57	6,859.50
PV of Projected Revenue	N=M*J	20.73	482.87	793.45	877.66	975.92	998.45	4,149.08
Sum of PV of Projected Revenue	O	4,149.08						
Effective YPP	P	1,271.32						

**ARR submitted by GIAL, Mopa, Goa includes the period from 7th December 2022 to 31st March 2023*

12.2 Authority's examination regarding ARR for the First Control Period at Consultation Stage

12.2.1 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 GIAL, Mopa, Goa in computation of ARR and Yield in the table above, the Authority proposed to consider the regulatory building blocks as discussed in the previous chapters.

12.2.2 The following table shows the proposed ARR and YPP as per the Authority.

Table 148: Aggregate Revenue Requirement proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	Table Ref	Reference	FY24	FY25	FY26	FY27	FY28	Total
Average RAB	Table 84	A	2,796.05	3,052.60	3,123.36	3,184.27	3,038.11	

Particulars	Table Ref	Reference	FY24	FY25	FY26	FY27	FY28	Total
Fair Rate of Return	Table 94	B	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on average RAB		C=A*B	341.40	372.72	381.36	388.80	370.95	1,855.24
O&M Expense	Table 122	D	184.29	197.51	248.56	279.35	293.80	1,203.51
Depreciation	Table 82	E	117.86	135.17	145.03	154.88	155.42	708.37
Taxation	Table 144	F	-	-	-	-	20.23	20.23
Aggregate Revenue Requirement		**G=C+D+E+F**	**643.55**	**705.41**	**774.95**	**823.03**	**840.40**	**3,787.34**
PV of Under-recovery of the period from COD to 31st March 2024	Table 24	H	179.75					179.75
Aggregate Revenue Requirement		**I=G+H**	**823.30**	**705.41**	**774.95**	**823.03**	**840.40**	**3,967.10**
NAR	Table 138	J	70.08	82.94	103.11	128.05	148.25	532.43
30% of NAR		K=J*30%	21.02	24.88	30.93	38.41	44.48	159.73
Net ARR		**L=I-K**	**802.28**	**680.53**	**744.02**	**784.62**	**795.93**	**3,807.37**
Discount factor (@12.21%)		M	1.00	0.89	0.79	0.71	0.63	
PV of ARR		N=L*M	802.28	606.48	590.91	555.34	502.05	3,057.06
Sum of ARR		O	3,057.06					
Total Traffic	Table 38	P	49.44					
YPP on total traffic		Q=O/P	618.34					

12.2.3 The Authority noted that, it is necessary to have the individual year wise tariff card laying down the different aeronautical charges and the workings for the aeronautical revenues, in order to have a constructive stakeholder discussion and hence GIAL, Mopa, Goa was directed to submit the detailed Annual Tariff proposals in line with the ARR and Yield arrived at by the Authority within 7 days of issue of the Consultation Paper.

12.2.4 The Authority was of the view that when a new airport is constructed, it involves significant capital investment in infrastructure, facilities, and operational costs. These costs are typically recovered through tariffs imposed on airlines, passengers, and other users of the airport's services. However, setting tariffs at excessively high levels can potentially discourage airlines from operating at the airport and deter passengers from choosing it as their preferred gateway. Conversely, setting tariffs too low may result in inadequate revenue generation, making it challenging for the airport to cover its operating costs and debt obligations.

This requires a delicate balance between cost recovery and its potential impact on air traffic demand. This balance is crucial for the financial viability of the airport and its ability to sustain operations while also ensuring that the tariffs remain competitive enough to attract and retain airlines and passengers. Therefore, the Authority, based on the Tariff Rate Card to be submitted by GIAL, Mopa, Goa would decide the balance between cost recovery and its potential impact on air traffic demand.

12.3 Authority's analysis regarding ARR for the First Control Period at the Tariff Order Stage

12.3.1 The Authority has recomputed the Aggregate Revenue Requirement, based on the Stakeholders' comments and details submitted by GIAL. The Authority, therefore, after due evaluation and review has considered the following changes:

Table 149: Comparison of building blocks proposed in the Consultation Stage and as decided at the Tariff Order stage

(Rs. in crores)

Particulars	Order	Consultation Stage	Variation	Main reasons for variation
Return on average RAB	1,858.69	1,855.24	3.45	Financing Allowance increased by Rs. 6.79 crores
Operating Expense	1,315.46	1,203.51	111.95	Increase in the following heads: 1. Manpower Exp - Rs. 6.84 crores 2. Custom Cost - Rs. 9.34 crores 3. Repairs & Maintenance - Rs. 46.79 crores 4. Consultancy exp - Rs. 18.59 crores 5. IT Operation related - Rs. 12.74 crores 6. Housekeeping charges - Rs. 9.47 crores
Depreciation	709.68	708.37	1.31	Due to change in Asset Base
Taxation	36.51	20.23	16.28	Due to changes in other components of the building block
Aggregate Revenue Requirement	**3,920.35**	**3,787.35**	**133.00**	
PV of Under-recovery of Pre-Control Period	189.79	179.75	10.04	Due to change in COD date
Aggregate Revenue Requirement	**4,110.14**	**3,967.10**	**143.04**	
NAR	509.47	532.43	(22.96)	1. Decrease in Inflight Kitchen revenue by Rs. 2.05 2. Decrease in the traffic in the first year and inflation adjustment.
30% of NAR	152.84	159.73	(6.89)	
Net ARR	**3,957.30**	**3,807.37**	**149.93**	
PV of ARR	**3,188.02**	**3,057.06**	**130.96**	

12.3.2 Based on the changes implemented in the building blocks, the ARR decided by the Authority is given below:

Table 150: Aggregate Revenue Requirement decided by the Authority for the First Control Period

(Rs. in crores)

Particulars	Table Ref	Reference	FY24	FY25	FY26	FY27	FY28	Total
Average RAB	Table 91	A	2,801.76	3,058.65	3,129.15	3,189.79	3,043.37	
Fair Rate of Return	Table 94	B	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on average RAB		C=A*B	342.09	373.46	382.07	389.47	371.60	1,858.69
O&M Expense	Table 127	D	229.88	230.49	269.47	285.42	300.20	1,315.46
Depreciation	Table 90	E	118.10	135.44	145.29	155.15	155.69	709.68
Taxation	Table 145	F	-	-	-	-	36.51	36.51
Aggregate Revenue Requirement		**G=C+D +E+F**	**690.08**	**739.39**	**796.83**	**830.04**	**864.00**	**3,920.35**
PV of Under-recovery of the period from COD to 31st March 2024	Table 25	H	189.79					189.79
Aggregate Revenue Requirement		**I=G+H**	879.87	739.39	796.83	830.04	864.00	4,110.14
NAR	Table 141	J	47.32	82.78	103.01	128.02	148.34	509.47
30% of NAR		K=J*30%	14.20	24.83	30.90	38.40	44.50	152.84
Net ARR		**L=I-K**	865.67	714.56	765.93	791.64	819.50	3,957.30
Discount factor (@12.21%)		M	1.00	0.89	0.79	0.71	0.63	
PV of ARR		N=L*M	865.67	636.80	608.31	560.31	516.92	3,188.02
Sum of ARR		O	**3,188.02**					
Total Traffic	Table 40	P	**47.68**					
YPP on total traffic		Q=O/P	**668.63**					
Departing Traffic		R	**23.84**					
YPP on Departing traffic		S=O/R	**1,337.26**					

12.4 Authority's decisions regarding ARR for the First Control Period

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

12.4.1 To consider the ARR and YPP for the First Control Period for MIA, Mopa, Goa in accordance with Table 150.

13 AERONAUTICAL REVENUE FOR THE FIRST CONTROL PERIOD

13.1 GIAL's submission regarding Aeronautical Revenue for the First Control Period

13.1.1 Further to the issuance of Consultation Paper, GIAL had submitted the Tariff Rate Card to the Authority which was put up for Stakeholders' comments on AERA website vide Public Notice No. 11/2023-24 dated 12th September 2023.

13.2 Stakeholders' comments regarding Aeronautical Revenue for the First Control Period

GIAL's comments regarding Aeronautical Revenue for the First Control Period:

13.2.1 GIAL's comments regarding tariff card are as follows:

The Authority has revised adhoc tariff for Manohar International Airport, Mopa, Goa pending finalization of the Multi Year Tariff Order vide order bearing no. 19/2022-23 dated 11th Sep'2023 wherein landing charges have been increased by 50% from the existing rates by the authority. In this regard we request the Authority to retain the Landing charges as proposed by GGIAL for the following reason:

1. *This is the first time in our country that 2 airports are operating in close vicinity (<60 Kms by road) and the Airlines/passengers have an option to choose. In a duopoly the airlines will compare rates of both options.*
2. *Goa has potential to expand the overall market size with 2nd airport (an unconstrained airport). This market expansion needs a supportive pricing strategy (lower rates with growth in volume). We must stimulate traffic/ demand, or else both airports will become unviable.*
3. *LCCs and Charters contribute to the majority of Goa's in-bound traffic (Domestic & International). Airlines/ Charters are extremely cost conscious. Landing charges impact their P&L directly. Hence the airport must be competitive.*
4. *To build traffic into a greenfield airport, especially in a dual airport scenario, airlines must take a medium-term view on setting up infrastructure/ resources at the new airport. Hence, on airline demand, GGIAL had committed landing charges to Airlines for FY'24 and FY'25 for airlines to plan the launch of new airport operations.*
5. *As airport operator is taking the risk of making the investment and running the business, it should get the liberty to decide the pricing based on market dynamics within the available ARR as decided by AERA. The Authority should give flexibility to the airport operator, especially in a challenging situation, first-of-its-kind, greenfield cum dual airport scenario.*
6. *The pricing approach used by GIAL was a well thought out strategy after studying pricing structures at various multi-airport operations globally. Eg. Peak hours (0700-1300) pricing was at 30% premium vs Evening Hours (1300 – 0000); Summer Season (off peak) for Goa was 50% lower than Winter Season (which sees high demand); Variable Tariff plan to reward more volume; Landing charges were kept competitive for airlines etc.*
7. *If the Authority insists on GGIAL charging higher landing charges as proposed by AERA, GGIAL becomes very expensive compared to Dabolim Airport and Airlines will resist to launch operations at GGIAL. We are already facing this issue with current airlines in the pipeline to launch operations. This will favor our competition and have a huge negative impact on GIAL business.*

Hence, we request the Authority to retain the landing charges as requested by GGIAL.

Other Stakeholders' comments regarding Aeronautical Revenue for the First Control Period:

13.2.2 FIA's comment regarding the Fuel Infrastructure Charges is as given below:

Fuel Infrastructure Charges at GOX – Order Number 29/2022-23:

__Charges for Fuel Infrastructure:__

It may be noted that before privatization of airports, there were no such charges related to fuel infrastructure and into plane which were levied on the airlines. The Fuel Farm at the airport was developed by the Oil Marketing Companies (OMCs) and they were also refueling aircraft as per the respective airlines' requirements. Airlines are/were only paying for ATF uplifted at each of the airport at an agreed product price to OMCs.

Since privatization of airports, two new charges related to fuel have been levied; first 'Fuel Infrastructure Charges' (FIC) and second 'Into Plane Charges' (ITP) at all the Privatized airports.

At a lot of Privatized airports, fuel infrastructure has been bought over by the airport operator or its Joint Venture (JVs) / Holding / Subsidiary / Sister Subsidiary companies from the OMCs at a very low price.

The investment made in fuel farms are also through multilayered transactions between / among airport operators or their Joint Ventures or their Holding / Subsidiary / Sister Subsidiary companies (or business associates by whatever name called).

A lot of legal entities have been formed by the airport operator as Joint Venture (JVs) or Holding / Subsidiary / Sister Subsidiary companies with multiplicity of agreements.

As a result of multiple layers of companies and transactions, there is no transparency and on top of it, multiple layers of overheads are loaded into the costs. In addition, royalty / revenue share to the airport operator or its JV / Holding / Subsidiary / Sister Subsidiary companies is also added in proposed FIC and ITP charges.

FIC and ITP including royalty and / or revenue share, along with GST thereon, is charged by the airport operator from OMCs. OMCs include these charges in the cost of fuel.

Once these charges become cost of fuel, they attract 'non creditable' Excise Duty @ 11% and 'non-creditable' VAT which may vary from 1% to 29%. Average VAT rate is ~ 17% in India. As ATF is outside GST, there is no 'Input Tax Credit' (ITC) on GST paid on FIC and ITP.

Due to this circuitous billing cost of FIC and ITP become 1.53 times i.e., airlines end up paying 53% higher cost and there is no tax credit available to the airlines.

It is a burden on the beleaguered airlines which are suffering from huge losses to the tune of > Rs. 23,500 crores in FY 2022.

Example:

FIC / ITP (including royalty / revenue share of airport operator)	*100.00*
GST	*18.00*
Total	*118.00*
Excise Duty @ 11%	*12.98*
Total with Excise Duty	*130.98*
VAT @ average rate of 17%	*22.27*
Total cost with excise duty and VAT	*153.25*

It is clear from the above example that against the original assumed cost of Rs.100 towards FIC and ITP, airlines end up paying Rs. 153.25 i.e., 53.25% additional cost and there is no tax credit against the same. Had these charges which are 'Aero' in nature as per AERA Act 2008, been charged directly by the airport operator from the airlines i.e., Rs. 118 including GST, airlines would have got ITC against GST and net cost to airlines would have been ~ Rs. 100 only.

The current method of circuitous billing of FIC and ITP suffers from the following:

1. *Makes the whole process non-transparent*
2. *Against the concept of 'Ease of Doing Business'*
3. *Increases cost for the airlines and is against the principle of 'Making Aviation Affordable and Sustainable'.*
4. *Against the vision of Hon'ble Prime Minister of India, Shri Narendra Modi that he would like to see 'Hawai Chappal Wale, Hawai Jahaj Mein' as the high cost will be passed on the common man by the airlines*
5. *There is application of tax on tax, which is fundamentally wrong and adds to Airlines cost.*

In addition to the above, it is pertinent to note that there are number of other infrastructure services / facilities like aircraft taxi ways, runways, fire services and bird scarers etc., for which there is no separate charge as they are part of airport infrastructure however their separate charges for ATF in the shape of FIC and ITP charges, which is a contradiction.

In this context, reference may be drawn from the abolishment of Fuel Throughput Charges (FTC), which were being earlier charged as separate charges for provisioning of ATF but were subsequently abolished. The FTC were being charged by the Airport Operators from the airlines through OMCs with the above circuitous billing mechanism with ultimate non-credible cost of Rs. 153.25 to the airlines. Both the Ministry of Civil Aviation (MOCA) and AERA have abolished FTC vide their order dated 08th January 2020 and 15th January 2020 respectively. Subsequently their revenues have been recalibrated by AERA and there has been no loss to the airport operators.

In view of all the above facts, it is recommended that FIC and ITP be abolished, and necessary calibration may be done in the revenue for airport operators for fuel farm and into plane operations. This will in turn help the airlines to address the long-pending issue of circuitous billing.

Thus, it is requested that pricing for Fuel Farm Tariff (Fuel Infrastructure Cost, Aircraft Defueling and Re-fueling of defueled products) may kindly not be accepted and recalibrated in line with FTC into other airport charges and help and support airlines with to address long pending circuitous tax billing.

We would also like to urge AERA to devise methods or pass an order stating that FIC and ITP should be directly invoiced by fuel farm operator or the services providers to the airlines to avoid circuitous billing and for the sake of 'Ease of doing businesses' and 'Transparency'. This will also help in avoiding unnecessary tax on tax.

13.2.3 FIA's comments regarding tariff card are as follows:

GIAL has proposed to increase the Landing Charges on Q-400 (80 & above seater) and on Boeing Flights approximately between 5 % to 16% from existing charges.

GIAL has proposed an increase in the Parking between 8% to 17 % on Domestic and International Passengers for the First Control Period.

GIAL has proposed an increase in the UDF between 60% to 176% on Domestic Passengers, and from 48% to 98% on International Passengers for the First Control Period

GIAL has proposed UDF for disembarking passengers also.

It is in the interest of all the stakeholders that the proposed tariffs as noted above may not be implemented as the proposals are excessive.

In accordance with the preamble of the National Civil Aviation Policy, which envisages to make air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariffs including UDF, which will be beneficial to passengers and airlines.

It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in the sharp post-COVID-19 recovery of aviation sector. It is the stated vision of the government to make UDAN ("Ude Desh ka Aam Naagrik") a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air.

In addition, we request AERA and GIAL to clarify the following:

*I) **Ref: Notes: 1 to User Development Fee (UDF) Charges:** We would like to invite AERA's attention to note 1 of the Annexure A of the Public Notice No.11/2023-24, UDF charges, wherein no rate of collection charges of UDF charges has been proposed by AERA.*

We further request AERA to consider, in this regard that:

a) The collection charges are to be published as Rs. 5.00 per departing passenger, in line with other airports.

b) These charges are paid by airport operators to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied.

Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons (example - 5% inflationary / administrative increase each year), the collection charges may kindly be increased to keep pace with the proposed increase in UDF, as airlines only get a fixed rate, which results in disincentivizing the airlines.

c) Disembarkation: GIAL has also proposed UDF charges on disembarkation as well at the Airport. AERA is requested to kindly review this trend as this will be discouraging for passengers to take flights to GOX because of the increase is total cost to fly to GOX.

Please further note:

The Authority in the addendum to order No.19/2022-23 has issued a tariff card in which the UDF charges has been levied only on embarking passengers. However, in above expenditure, UDF collection has been allowed on both embarking and disembarking passengers.

Hence, it is submitted that the Authority keeping in view the principles of efficiency and reasonableness should not allow the UDF collection charges on disembarking pax as proposed in the CP.

d) AERA is kindly requested to clarify the applicability of UDF, whether it will be charged on per passenger or per flight basis, as UDF is applied on a per passenger basis i.e., for embarking passengers. As we have observed, there are corresponding references for domestic and international flights. Hence, the manner in which UDF is to be collected in case of a connecting flight appears unclear, especially in cases where one leg of the flight is domestic and the other is international or vice versa.

To illustrate: For a passenger with connecting flight from one domestic station to another domestic station with final destination to international station (i.e., GOX-DEL-DXB), clarity is required whether the UDF will be charged as per domestic flight or international flight;

(i) Will it be considered as a domestic passenger for the route of GOX-DEL-DXB (which means domestic UDF rate applicable on this passenger) ; or
(ii) Will the passenger be charged international rates of UDF as per the PNR/Ticket, as the final destination is international.

We request AERA to kindly simplify the complex structure of the proposed UDF rates to be applied by GIAL on an 'Peak' & 'Off Peak' basis, as encouragement of this concept will lead to burden on the airlines. In order to provide such facilitation to airport operators and collect UDF for such separate scenarios, airlines will have to bear investment costs of customizing their systems without any incentives.

In addition, as an illustration, if the scheduled embarkation was to be at an 'Off Peak' time (between 1:00 PM to 7:00 PM), and the airline had already charged the passenger the UDF as per the 'Off Peak' rate, but the actual embarkation (due to any reason whatsoever, including but not limited to uncontrollable factors such as weather etc.) is during a 'Peak' hour (i.e. between 7:00 PM to 1 PM), then what would the Airport Operator charge. As the passenger would have already paid up the UDF at the time of the purchase of the ticket as per the 'Off Peak', rate it would be unfair to charge the airline, if at all, the difference between the actual Peak hour UDF rate charged by the Airport operator and the Off-Peak hour UDF charged in the ticket to the passenger.

2) ***CUTE, CUPPS, CUSS:*** *As these are aeronautical revenues,*

We would like to state that:

(i) *the current prices are excessive. Please note that the AAI tariff for the same services at 44 airports is Rs 35.05 per passenger which is much lesser than private entities. AAI chose a service provider based on a public reverse auction mechanism. As such the proposed tariff of Rs 80 per passenger at GOX (and US$ 1.25 for international) is too high, It should be same and in-line as at other AAI airports since all services provided in this regard are same. Please note that the high fees set a precedent for other private airports hence it is important to bring down the rate to be in line with tariff at AAI airports.*

(ii) *whatever bouquet of services is agreed between the GIAL and the service provider, this is enforced upon the airlines and the airlines have no say on the prices (or unbundling), even if the airlines do not require all the services; and*

(iii) *the rates are in foreign currency at certain airports, making airlines vulnerable due to currency fluctuations. The same may kindly be published and applied in Indian currency only.*

(iv) *there are differential CUTE charges for international and domestic pax without any substantial rationale, since the ICT/CUTE services used are same for both types of customers. Hence there should be only one uniform CUTE charge for domestic and international both passengers. Thus, AERA is kindly requested to intervene and kindly regulate the CUTE, CUPPS, CUSS prices as per the AERA Act, with transparency to all stakeholders.*

3) *We observed that there is no mention of Aviation Security Fee ("ASF") in the Annual Tariff proposal by GIAL. In this regard, we request AERA to take note of the AIC 09/2021 dated 19th March 2021 and to state the levy, exemption and collection charges on ASF to GIAL, if any.*

4) *Further, FIA recommends AERA to add Note of the Annexure A, as follows: "No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any airlines".*

5) *Parking Charges (Notes:- 3) Refer: "4. For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour" It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to the "nearest hour"*

6) *Landing Charges: We request AERA to kindly simplify the complex structure of the proposed Landing charges to be applied by GIAL on an 'Morning', 'Evening' & 'Night' basis, airlines will have to bear investment costs of customizing their systems without any incentives.*

As an illustration, if the scheduled landing was to be at 'Morning' time (between 7:00 AM to 12:29 PM, but the actual landing (due to any reason whatsoever, including but not limited to uncontrollable factors such as weather, ATC, etc.) is during an 'Evening' time (i.e., between 1:00 PM to 11:59 PM), then what would the Airport Operator charge, kindly clarify. The entire profitability of the route would be affected, as it would be unfair to charge the airline, if at all, the difference between the Evening and Morning rates, due to no fault of the airline.

In addition, it would require costs for complex software programs and practical difficulty to keep track of such variations, and thus request the Authority to simplify the complex tariff structure of the landing charges.

Addendum to Order 19/2022-23 dated 11th September 2023 ('Addendum Order'):

The Addendum Order increases the landing charges by 50% & UDF have increased by 67% for the period 1.10.2023 to 31.12.2023. FIA submits that AERA is requested to maintain status quo in the existing tariff, until tariff determination process is completed as requested by FIA in its email dated 14th September 2023.

Additionally, it may be noted that the GIAL have not proposed such increase in landing and UDF charges in its own submission of tariff card on 7th September 2023.

13.2.4 IATA's comments regarding tariff card are as follows:

Significant complexity is built into the tariff card structure proposed by the AO. The complexity includes variables like hours of the day (morning, evening and night hours); schedule (winter and summer schedules); on which landing, parking and UDF charges are proposed. Similarly, there is a proposal for UDF which is structured for embarking and disembarking, and with different rates for "peak" and "off-peak" flights. This in itself is discriminatory and must not be allowed.

IATA would like to highlight that airline reservation systems would not support such multiplicity in variables while adding charges/levies/taxes to the ticket cost for airline bookings. These charges must be absolute figures that are not based on the time of day, or the slot season, and should have parity between charges for Domestic and International flights. The tariff card should be based on a more straightforward formulation, like the basis followed for the earlier tariff awards by AERA. IATA would request moderation in the proposed charges for landing and parking as well as UDF for embarking passengers alone.

13.2.5 LIAL's comments regarding deferment of ARR are as follows:

During the stakeholder meeting, the Authority expressed its view for deferment of ARR. It is to be noted that during the stakeholder meeting for Lucknow Airport held on 07.03.2023 it was mentioned by the Authority that in past it has resorted to deferment of ARR to keep the tariff lower and help the recovery of traffic which was impacted by COVID-19. In view of the upward trajectory of traffic which has surpassed the pre-COVID level, we request the Authority not to resort to any deferment of ARR going forward including but not limited to GOA, MoPA Airport.

13.2.6 AAI's comments regarding tariff card are as follows:

The Consultation Paper, unlike in the case of AAI airports, is silent about what has been the tariff proposed by AERA. Therefore, it does not allow AAI to make any meaningful comment. We want to request that AERA should first propose tariff based on their projection of traffic and the ARR calculated & presented in the Consultation Paper. This has also been the practice of AERA as seen in all AAI airports' consultation papers and it is expected that AERA should continue to follow the same practice.

In addition, AAI has already furnished comments on the adhoc Tariff Order no 19/2022-23 dated 26/8/2022 vide letter No. AAI/CHQ/Tariff/MOPA/2022-23 /183 dated 31/1/2023 whereby AAI has raised its concern against the very low tariff given by AERA to Mopa and has requested the Authority to issue Final Tariff order at the earliest.

AAI would like to know what tariff would be given by AERA and how much will be unrecovered ARR in this control period. It is submitted that there should be no unrecovered ARR for Mopa Airport and as any unrecovered ARR will result into lower tariff for Mopa Airport in this Control Period and will create a situation wherein initially Mopa, would get lower tariff and in subsequent control periods, when there is *less competition from Dabolim Airport, Mopa would recover this shortfall in ARR by charging higher tariffs.*

In view of this, it is requested that the Consultant Paper should be amended, and a clear picture of the proposed tariff should be projected and then comments from others including AAI should be obtained. The entire ARR should be recovered in this control period itself without leaving any uncovered ARR for future control period.

13.3 GIAL's response to stakeholders' comments regarding Aeronautical Revenue for the First Control Period

13.3.1 GIAL has responded to FIA's comment regarding Fuel Infrastructure Charges as follows:

This is not the subject matter of this consultation. Hence, no response solicited.

13.3.2 GIAL has responded to IATA's comments regarding tariff card as follows:

In this regard following is our response:

UDF: *Based on the historic passenger arrival / departure pattern in Goa, the peak and off-peak UDF charges were arrived at. However, the airlines will be charged / recovered based on the schedule filed and hence there will be no impact to the Airlines.*

'Peak' & 'Off Peak' UDF charges: *Goa is a destination where the majority of the people visiting the State through air routes are tourists. As most of the hotels across the State have check-in and check-out coming for their guests as 2 p.m. and 11 a.m., respectively, GGIAL envisages that maximum number of tourists prefer to visit Goa during the peak hours (i.e., between 07:00 Hrs. – 13:00 Hrs.). To effectively utilize the infrastructure and spread out the peaks to later part of the day, GGIAL proposes differential UDF rates (during peak and off-peak hours). However, the airlines will be charged based on the schedule filed and hence there will be no impact to the airlines.*

Since it is a dual airport operation in Goa, passengers may choose to disembark at GOI and embark their next flight at GOX. This will benefit the passenger, as the UDF charges will be applicable as per usage.

Further, in case of Mangaluru International Airport order bearing no. 38/2022-23 dated January 12, 2023, AERA already approved UDF for embarking and disembarking passenger stating that:

- *Levying some portion of UDF on the disembarking passengers help in reducing the aeronautical tariff determined towards Landing charges.*
- *This process may also help in recovering ARR for this Control Period and put lesser burden on the Airlines and other Airport Users. Airport facility is used by both embarking and disembarking passengers.*
- *However, the facility used by disembarking passengers is comparatively less as compared to embarking passengers, so the Authority is of the view that lesser UDF may be levied on the disembarking passengers.*

Further, in case of Chandigarh International Airport bearing no. 07/ 2021-22 dated August 20, 2021 AERA also approved UDF for embarking and disembarking passenger along with distance based separate tariff for Domestic Passenger up to 165 Nautical miles and above 165 Nautical miles.

Thus, in order to put lesser burden on the Airlines and other Airport Users and to encourage optimal utilization of the airport GGIAL has strategically use different variables in tariff card.

Landing Charges: *The peak and off-peak Landing charges are to encourage the airlines to schedule their flights throughout the day instead of peak hours, so that the demand is distributed, and the Airport* *infrastructure can be optimally utilized. Further, the Landing charges will be charged to the airlines based on actual arrival time.*

13.3.3 GIAL has responded to FIA's comments regarding tariff card as follows:

1. ***Collection charges on UDF Charges**: FIA stated that no rate of collection charges of UDF charges has been proposed by AERA. In this regard it is stated that the same has already been intimated to AERA vide our mail dated July 07, 2023.*

   ***UDF charges on Disembarkation: -** In this regard it is stated that the passenger terminal is being used by both embarking & disembarking passengers. Hence, the UDF charges are proposed to be collected from both embarking & disembarking passengers.*

   ***'Peak' & 'Off Peak' UDF charges: -** Goa is a destination where the majority of the people visiting the State through air routes are tourists. As most of the hotels across the State have check-in and check-out timing for their guests as 2 p.m. and 11 a.m., respectively, GGIAL envisages that maximum number of tourists prefer to visit Goa during the peak hours (i.e., between 07:00 Hrs. – 13:00 Hrs.). To effectively utilize the infrastructure and spread out the peaks to later part of the day, GGIAL proposes differential UDF rates (during peak and off-peak hours). However, the airlines will be charged based on the schedule filed and hence there will be no impact to the airlines.*

   Since it is a dual airport operation in Goa, passengers may choose to disembark at GOI and embark their next flight at GOX. This will benefit the passenger, as the UDF charges will be applicable as per usage.

   Further, in case of Mangaluru International Airport order bearing no. 38/2022-23 dated January 12, 2023, AERA already approved UDF for embarking and disembarking passenger stating that:

   - *By levying some portion of UDF on the disembarking passengers help in reducing the aeronautical tariff determined towards Landing charges.*
   - *This process may also help in recovering ARR for this Control Period and put lesser burden on the Airlines and other Airport Users.*
   - *Airport facility is used by both embarking and disembarking passengers. However, the facility used by disembarking passengers is comparatively less as compared to by embarking passengers, so the Authority is of the view that lesser UDF may be levied on the disembarking passengers.*

   Further, in case of Chandigarh International Airport bearing no. 07/ 2021-22 dated August 20, 2021, AERA also approved UDF for embarking and disembarking passenger along with distance based separate tariff for Domestic Passenger up to 165 Nautical miles and above 165 Nautical miles.

   Thus, in order to put lesser burden on the Airlines and other Airport Users and to encourage optimal utilization of the airport GGIA has strategically used different variables in tariff card.

   ***Whether UDF will be charged on a per passenger or per flight basis especially for connecting flights:** It is clarified that GGIAL has proposed UDF based on a per passenger basis and not on a per flight basis. Further, with regard to specific clarification on charging of UDF, it is stated that the passenger will be charged based on the final destination where (s)he will disembark. For example, international rates of UDF will be applicable in the case of GOX-DEL-DXB.*

2. ***CUTE, CUPPS, CUSS:** FIA stated that the current prices are excessive. In this regard, we would like to state that the IT Services License (WAISL) provides a vast range of IT services at Airport compared to IT Service Providers (SITA) at AAI airports as shown in the table below.*

Services provided by SITA at AAI Airports	*Services provided by WAISL at GGIAL*

1) Passenger Processing Services (PPS):
• *CUTE, CUSS, BRS*
• *Self-check-in kiosks*
• *Baggage reconciliation solution*
• *Integration with airline system*
	1) Passenger Processing Services (PPS):
	• *All services provided by SITA as shown in left column and following are additional services:*
	  • *E-boarding*
	  • *Integration of biometrics, SBD with airlines, airport systems.*
	
	2) Enabling Infra for PPS:
	• *Campus LAN and WLAN*
	• *Data Centre for Hosting applications and systems*
	• *PAVA*
	• *Middleware apps like ESB*
	• *Master Clock System (MCS)*
	• *Storage and Servers and End User Devices such as laptops, workstations*
	
	3) ICT Services:
	• *AODB and its interfaces to other systems*
	• *RMS*
	• *AOCC*
	• *CCTV*
	• *FIDS*
	• *MATV.*
	
	4) Back-office IT Services:
	• *DAS, Telephony*
	• *TMRS*
	• *EPOS*
	• *MPAS*
	
	5) IT Security Services:
	• *Cybersecurity of endpoints,. devices, and policy upkeep of same.*
	• *Firewall*

WAISL has incurred significant capex for IT assets and carries the responsibility of O&M costs for running the IT operations. Additionally, technology refresh of IT assets on appropriate intervals is also WAISL's responsibility.

As per current practice, the Airport operator has sought tariff approval of the user charges from the regulator on behalf of the IT service provider. The IT service provider will charge the user charges so approved to Airlines and will pay revenue share/royalty to the airport on the revenue earned.

Following is the brief tariff model followed at various airports:

Airport	*CUTE/ CUSS service provided by*	*Model*	*Tariff requested by*	*Tariff*	*Regulatory Approval*
Hyderabad	*Third Party*	*Revenue share model*	*Airport Operator*	*USD 1.25/ dep pax*	*Yes*
Bangalore	*Third Party*	*Revenue share model*	*Airport Operator*	*USD 1 / dep pax*	*Yes*
Cochin	*SITA & Glidepath*	*Royalty*	*Airport Operator*	*Rs. 86 per domestic, Rs. 94/USD 1.25 per international departing pax*	*Yes*
Kannur	*Third Party*	*-*	*Airport Operator*	*Rs. 85.1 / pax and Rs. 92.5/pax for domestic and international respectively*	*Yes*

Hence, rate proposed by GGIAL is in line with the recent order issued by AERA and FIA without any rationale has opposed the levy of the tariff proposed by GGIAL. We request Authority to approve the charges as proposed.

3. ***Aviation Security Fee: -** In this regard it is stated that Aviation Security Fee (ASF) is charged by National Aviation Security Force Trust (NASFT) and not by GGIAL. GGIAL is only facilitating in generating the invoice on behalf of NASFT. Payment by Airlines will be directly made to NASFT. GGIAL is not involved in Levy, exemption and collection charges on ASF.*

4. ***No Additional Parking Charges: -** In this regard it is stated that GGIAL is not charging any additional parking charges other than normal parking charges during any force majeure situations or for any technical or meteorological situation, which is beyond the control of any airlines.*

5. ***Parking charges: -** In this regard it is stated that as per the industry practice, GGIAL is calculating the chargeable parking time by rounding off part of an hour to the "next hour".*

6. ***Landing Charges: -** In this regard it is stated that based on the historic passenger arrival / departure pattern in Goa, the peak and off-peak Landing charges arrived at.*

The peak and off-peak Landing charges are to encourage the airlines to schedule their flights throughout the day instead of a few peak hours, so that the demand is distributed, and the Airport infrastructure can be optimally utilized. Further, the Landing charges will be charged to the airlines based on actual arrival time.

The Tariff Rate Card proposed by GGIAL is aligned with the ARR proposed by the Authority in its Consultation Paper dated Aug 31, 2023. The tariff as proposed by GGIAL is required to sustain effective operation and maintain economic viability of the Airport. The FIA has opposed the levy of the tariff proposed by GGIAL without providing any rationale. We request the Authority to allow full recovery of the allowed Target Revenue within the Control Period to maintain the economic viability and healthy operations of the Airport.

13.3.4 GIAL has responded to AAI's comments regarding tariff card as follows:

AAI requested AERA should first propose tariff based on the projection of traffic and the ARR calculated & presented in the Consultation Paper. This has also been the practice of AERA as seen in all AAI airports' consultation papers and it is expected that AERA should continue to follow the same practice.

In this regard, it is stated that based on the proposed ARR, GGIAL had already submitted its proposed tariff card and the same is available to the public and other stakeholder for comments at AERA website vide public notice no. 11/2023-24 dated 12th Sep 2023.

13.4 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for the First Control Period

13.4.1 The Authority notes GIAL's submissions regarding the tariff Card and the comments received from other Stakeholders on various aspects including the need to rationalize the Tariff Rate Card, simplification of charges, maintaining the Landing charges at the levels proposed by GIAL, comments on Fuel Infrastructure charge, non-availability of tariff card, comments on certain inputs relating to tariff card (collection charges, parking charges etc. by FIA), request to ensure full recovery of ARR etc. These are analysed by the Authority in detail in the ensuing paragraphs.

Fuel Infrastructure charges

13.4.2 The Authority notes the comments of FIA and GIAL's response therein on the issues of Fuel Infrastructure Charges. In this regard, it is to be noted that at Manohar International Airport, Bharat Petroleum Corporation Limited (BPCL) is providing the services of Fuel farm and Into-plane activities. Accordingly, the assets, income and expenses of such operations are not part of tariff determination of GIAL. The Authority's tariff determination principles for Airport Operator are based on the assets, expenses, and income of such Airport Operator. The Authority is of the view that the revenues accrue from this service to an Independent Service Provider from whom the revenue share is earned by GIAL as per the terms and conditions of the Concession Agreement (as detailed in Para 1.4). This revenue share is considered as part of the Aeronautical Revenues for the Airport Operator. In this regard, Table 151 may be referred which details the revenue share from Fuel facility considered as part of Aeronautical Revenues.

Non-Availability of Rate card

13.4.3 The Authority notes the comments made by AAI regarding non availability of Tariff card and GIAL's counter comments on the same. AERA, as per its consistent approach for PPP Airports, has informed all the stakeholders including AAI regarding the Tariff Rate Card to be submitted by AO in the Consultation Paper (Refer Para 12.2.3 of this Order which reproduces the same). Tariff Rate Card was also put up on AERA website, vide Public Notice No 11/2023-24 dated 12th September 2023. Therefore, the question of not sharing the rate card does not arise.

Full recovery of ARR

13.4.4 The Authority notes GIAL's and other stakeholders' (such as AAI and LIAL) comments regarding the need to provide for recovery of ARR in full and to not carry forward part recovery to the next control period. In this regard, the Authority while determining tariff for a control period, is bound to ensure balancing the interest of all stakeholders. The Authority's past practice of deferring ARR was to support the recovery of traffic adversely impacted by the COVID-19 pandemic. This measure was aimed at alleviating the financial strain on stakeholders during an unprecedented global crisis.

Further, the Authority had also drawn reference of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. As per para 12 (c) of the NCAP, *"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."* The above has also been conveyed by the AERA vide its Order No. 14/2016-17 dated 12th January 2017.

Manohar International Airport, Mopa, Goa is a Greenfield Airport which has been commissioned now, with a large Capital Expenditure outlay. With the ARR being higher in the First Control Period and the traffic base for the airport stabilizing in the First Control Period, it may not be feasible to recover the entitled ARR completely, in this control period. It is AERA's responsibility to balance the interest of all stakeholders. In the past also, the Authority has also permitted carry forward of ARR when the recovery of tariff was not possible due to large scale capital expenditure etc. (For example in Kolkata, Kannur etc.)

The Authority would like to also draw reference to the guiding principles issued by the International Civil Aviation Organization ("ICAO") on charges for Airports and Air Navigation Services (ICAO Doc 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies that *"caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users"*. The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States.

The Authority's objective is to strike a balance between reasonable collections for the Airport Operator and tariffs for airlines and passengers. It is pertinent to note that the Aeronautical tariff is effective from 1st January 2024, thereby resulting in more than 4 tariff years available for recovery of the ARR (refer para 2.8.5 on Authority's analysis on FIA's comment regarding Shrinkage of Control Period). Considering this, together with the positive outlook on traffic, the Authority has decided to carry forward a nominal portion of ARR (approx. 2%) to the next control period in the harmonious interest of all the Stakeholders.

Simplification of Tariff Rate Card

13.4.5 The Authority notes that GIAL has proposed different pricing structures within the Landing revenues based on the time of the day for Domestic and based on the season for International Traffic. GIAL has also proposed UDF for 'peak' and 'off peak' separately. The Authority has noted FIA's and IATA's comment on the need for simplification of the Tariff Rate Card (Refer para 13.2.3 and para 13.2.4). The Authority, notes that FIA and IATA have commented on the need for simplification in Tariff Rate Card to facilitate smooth and ease of operation. Also, it is important to ensure transparency and non-discrimination which are the cornerstone of ICAO principles.

Accordingly, the Authority decides not to consider the variabilities proposed by GIAL but to keep the Tariff Rate Card simple to avoid complexities. This will facilitate smooth and easy administration of charging and collection of Aeronautical charges.

Landing Charges

13.4.6 The Authority notes GIAL's request to keep the Landing charges as proposed by it and FIA's comments on the same matter. The Authority had, even before the commencement of commercial operations at Mopa Goa, provided Aeronautical Tariff on an adhoc basis, after due consideration of the components of the building block vide its Order No 19/2022-23 dated 26th August 2022. This Tariff Rate Card was, on the request of the Airport Operator, also revised upwards (relating to Landing charges and domestic UDF) by the Authority vide Addendum to Order No 19/2022-23 dated 11th September 2023 in order to ensure viable operation of the Airport.

The Authority notes the reasons submitted by GIAL for not increasing the Landing charges from the rates proposed by it. In this regard, it is to be noted that it is the responsibility of the Authority to ensure that there is a balance between the charges levied on airlines and the UDF levied on passengers, in the background that one group of stakeholders cannot benefit at the cost of the other.

Airport Operator, on one hand is requesting to not carry forward the ARR and on other hand has requested to keep the landing charges low. In such a situation, it is very difficult for the Authority to fix the Tariff Rate Card considering both the propositions made by the Airport Operator. Therefore, the Authority has worked out the rates between Landing charges and the UDF in a manner that is broadly in line with the proportion of the Landing charges and UDF prevailing at other similar airports.

It is the Authority's endeavor to maintain a balanced approach between the revenue collected in the form of Landing and Parking charges from Airlines and the revenue earned from levy on Passengers in the form of UDF, while segregating the Aeronautical Charges into different components. The Authority, in the recent tariff determination of other major airports has uniformly considered similar proportion of revenue collection between Landing and UDF revenues. Accordingly, in case of Manohar International Airport, Mopa, Goa, the Authority decides to have a balance in distribution of the total aeronautical revenues into different components, mainly Landing charges and UDF.

With the above in mind, the Authority decides to rationalize the Landing charges from the rates proposed by GIAL, in order to strike a balance among different components of Aeronautical charges as detailed in Tariff Rate Card (Refer **Annexure 1**). The Authority notes that the increase in landing charges provided ensures a harmonious application of charges among the different category of users of the Airport.

Comment on Excessive charges

13.4.7 The Authority has noted FIA's comments and the response provided by GIAL. The Authority has, as part of the tariff determination exercise, rationalized the regulatory building blocks such as Capital Expenditure (rationalizing the cost of the capital projects, rationalizing the Terminal Building ratio etc.), O&M expenses, Non-Aeronautical Revenues etc. submitted by the AO for the First Control Period and has accordingly determined the reasonable ARR for the Airport. Hence, the Authority does not find any merit in FIA's submission that the charges are excessive.

UDF on disembarking passengers

13.4.8 The Authority has noted the comments made by FIA and IATA on GIAL's proposal to collect UDF on disembarking passengers. The Authority notes that the situation in Goa is unique with two airports operating in close vicinity. This provides options for passengers to disembark at one airport and embark from the other.

Further, the Authority, as detailed in its earlier Orders, notes that levying some portion of UDF on the disembarking passengers helps in reducing the Aeronautical tariff determined towards Landing charges. This process may also help in recovering ARR for this Control Period and put lesser burden on the Airlines and other Airport Users.

Further, Airport facility is used by both embarking and disembarking passengers. However, the facility used by disembarking passengers is comparatively less as compared to those used by embarking passengers, hence the Authority is of the view that lesser UDF may be levied on the disembarking passengers.

It is to be noted that MIA, Mopa, Goa is a greenfield airport where, in the initial phase of the airport operations, the need for recovery of total ARR by way of levying Landing, Parking and UDF charges may necessitate certain unique approaches. Thereby, in order to maintain a balanced approach, the need for levying UDF on disembarking arises in the case of a Greenfield Airport or any other airport which is unique by virtue of their topography or operations. Therefore, the Authority may decide to adopt the application of UDF on disembarking passengers in case of Greenfield Airports.

CUTE charges

13.4.9 The Authority has noted the comments made by FIA on CUTE charges and GIAL's response to the same. The Authority notes that the charges for CUTE in PPP Airports is much higher as compared to the charges in other AAI Airports. The Authority decides to rationalize the same and decides to approve Rs. 60/- per departing pax for Domestic and USD 1.25 per departing pax for international passengers.

Variable Tariff Plan

13.4.10 The Authority notes that the Tariff Card proposed by GIAL includes a Variable Tariff Plan till March 2025. The variable tariff plan proposes a reduced Landing charge based on the volume of flights. Manohar International Airport, Mopa, Goa is a new greenfield airport, operating in close vicinity of another airport and the traffic for airport is yet to be stabilized. The Authority has examined the Variable Tariff Plan (VTP) submitted by GIAL and notes that the proposed VTP is to attract additional flights and generate additional revenue, which will help to reduce Aeronautical Charges in long term. Accordingly, the Authority agrees to approve the Variable Tariff Plan from the effective date of tariff till March 2025, as detailed in the Tariff card in **Annexure 1**, in order to provide incentive to airlines operating from the airport.

The Authority also direct GIAL to keep a separate record of accounts for incentives granted, revenue generated and the expenditure incurred in this regard during the First Control Period for the information of all stakeholders and the Authority so as to take a considered view for determination of Aeronautical tariff for the next control period. The Authority also directs the AO to ensure that the proposed VTP will be in line with ICAO principles.

The Authority hereby states that the rack rates determined by the Authority in the Tariff Rate Card for Scheduled Passenger Airlines (MTOW > 100 MT and MTOW <=100 MT) are different, based on which the Variable Tariff Plan has been considered by the Authority. The same is shown as part of the Tariff Rate Card annexed to this Tariff Order.

Other comments on Tariff Card

13.4.11 With respect to specific comments regarding collection charges, Aviation Security Fee, clarity on the applicability of charges on certain routes and clarity on parking charges made by certain stakeholders, the Authority notes the comments submitted by AO.

13.4.12 Further, with respect to the comment made by GIAL, the Authority clarifies that in case of Chandigarh Airport, the Authority had not approved UDF on disembarking passengers. Separate UDF rates were provided for passengers travelling more than 165 Nautical Miles and less than 165 Nautical Miles.

13.4.13 Based on the above, considering the need to balance the interest of all stakeholders including the Airport Operator and all the users of the Airport, based on the analysis, the Authority decides to approve the Tariff Rate Card as detailed in **Annexure 1** to this Order. Accordingly, the estimated Aeronautical revenue for the First Control Period is as follows:

Table 151: Aeronautical revenue decided by the Authority for the First Control period

(Rs. in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Landing Revenue	26.38	119.36	205.60	286.23	341.00	**978.56**
Parking Revenue	2.15	3.28	4.25	5.43	6.47	**21.58**
Revenue from User Development Fee	201.52	479.44	600.50	794.35	962.65	**3,038.46**
Subtotal - L&P, UDF	**230.05**	**602.07**	**810.34**	**1,086.02**	**1,310.12**	**4,038.59**
Cargo	0.97	1.44	1.65	2.52	2.77	**9.35**
Ground Handling	10.81	13.35	15.33	18.52	21.44	**79.45**
Fuel	1.59	1.83	2.18	2.64	2.96	**11.19**
CUSS/CUTE/BRS Charges	-	1.00	1.19	1.43	1.66	**5.28**
BME	0.43	0.84	1.06	1.34	1.58	**5.26**
Revenue from Land and Space considered Aeronautical	6.61	7.07	9.45	10.12	10.82	**44.07**
Subtotal - Other Aero Revenues	**20.40**	**25.53**	**30.86**	**36.58**	**41.23**	**154.59**
Total Projected Aero Revenues	**250.45**	**627.59**	**841.20**	**1,122.59**	**1,351.35**	**4,193.18**
Discounting factor	1.00	0.89	0.79	0.71	0.63	
PV of Projected Aero Revenues (A)	**250.45**	**559.30**	**668.09**	**794.56**	**852.40**	**3,124.80**
Target ARR (Table 150)	865.67	714.56	765.93	791.64	819.50	3,957.30
PV of ARR (B)	**865.67**	**636.80**	**608.31**	**560.31**	**516.92**	**3,188.02**
Carry forward in NPV terms as on 31st March 2024 (C=A-B)	(615.22)	(77.50)	59.78	234.25	335.48	**(63.22)**

13.5 Authority's decisions regarding Aeronautical Revenue for the First Control Period

13.5.1 To consider the Aeronautical revenue based on the Tariff Rate Card detailed in **Annexure 1**.

13.5.2 To true up Aeronautical revenue based on the actual numbers for the First Control Period at the time of determination of tariff for the next control period.

14 SUMMARY OF AUTHORITY'S DECISIONS

Chapter 2: Methodology of Tariff Determination of Manohar International Airport

2.11.1 To consider First Control Period as effective from FY 2023-24 to FY 2027-28 in respect of Manohar International Airport, Mopa, Goa.

Chapter 3: Determination of Tariff for the Period from COD to 31st March 2023

3.3.1 To consider Traffic as per Table 10.

3.3.2 To consider Capital Expenditure, Depreciation and RAB as per Table 15.

3.3.3 To consider FRoR as per para 3.2.21.

3.3.4 To consider Aeronautical O&M expenses as per Table 17.

3.3.5 To consider Non-aeronautical revenue as per Table 19.

3.3.6 To consider the Aeronautical tax as per Table 21.

3.3.7 To consider Aeronautical revenue as per Table 23.

3.3.8 To consider under recovery of Rs. 189.79 crores as per Table 25 and adjust the same in the ARR for the First Control Period.

3.3.9 To true up the additions to RAB and depreciation for the period based on the total completed cost for Phase-I and the Fixed Asset Register to be submitted by GIAL, Mopa, Goa in the next control period.

Chapter 4: Traffic for the First Control Period

4.6.1 To consider Passenger Traffic, ATM and Cargo Traffic for the First Control Period for Manohar International Airport, Mopa, Goa as per Table 40.

4.6.2 To true up the traffic volumes (Passenger, ATM and Cargo) based on actual numbers for the First Control Period at the time of determination of tariff for the next control period.

Chapter 5: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the First Control Period

5.10.1 To consider the Terminal Building Ratio (TBLR) of 90:10 as mentioned in para 5.4.6 and in line with IMG norms and as approved for other similar Airports.

5.10.2 To allow financing allowance during the First Control Period as detailed in Table 86.

5.10.3 To adopt the Capital Expenditure for the First Control Period in accordance with Table 88.

5.10.4 To adopt the aeronautical additions for the First Control Period in accordance with Table 89.

5.10.5 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the next Control Period (as detailed in para 5.3.29 and para 5.9.14).

5.10.6 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, as mentioned in para 5.3.35. The same will be examined during the true up of the First Control Period, at the time of determination of tariff for the next Control Period.

5.10.7 To true up the Aeronautical Capital Expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Next Control Period.

5.10.8 To adopt Aeronautical Depreciations as per Table 90 for the First Control Period.

5.10.9 To true up the Depreciation of the First Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Next Control Period.

5.10.10 To consider average RAB for the First Control Period for Manohar International Airport, Mopa, Goa as per Table 91.

5.10.11 To true up the RAB based on actuals at the time of tariff determination for the Next Control period.

Chapter 6: Fair Rate of Return for the First Control Period

6.6.1 To consider the Cost of equity at 15.18% as per CAPM formula.

6.6.2 To consider the notional debt to equity (gearing) ratio of 48%:52% in line with target gearing ratio being considered in case of other PPP airports.

6.6.3 To consider cost of debt of 9% for the First Control Period as detailed in Para 6.5.5.

6.6.4 To consider FRoR of 12.21% for the First Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

Chapter 7: Inflation for the First Control Period

7.5.1 To consider Inflation for the First Control Period for MIA, Mopa, Goa as per Table 97.

Chapter 8: Operating & Maintenance Expenses for the First Control Period

8.6.1 To consider Aeronautical O&M Expenses for the First Control Period as per Table 127.

8.6.2 To consider the O&M expenses incurred by GIAL, Mopa, Goa during the First Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

Chapter 9: Non-Aeronautical Revenue for the First Control Period

9.6.1 To consider non-aeronautical revenues for the First Control Period for Manohar International Airport, Mopa, Goa in accordance with Table 141.

9.6.2 GIAL, Mopa, Goa should make efforts to substantially increase the NAR of Manohar International Airport, Mopa, Goa for the First Control Period, in line with similar airports.

9.6.3 To consider actual Interest Income as part of Non-Aeronautical Revenue at the time of true up.

9.6.4 To review Non-Aeronautical Revenue and true up based on actuals at the time of determination of tariff for next control period, subject to minimum threshold as decided by the Authority in Table 141.

Chapter 10: Taxation for the First Control Period

10.5.1 To consider aeronautical tax as per Table 145 for the First Control Period.

10.5.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the next Control Period.

Chapter 11: Quality of Service for the First Control Period

11.5.1 Not to consider any adjustment towards tariff determination for the First Control Period with regard to Quality of Service of GIAL, Mopa, Goa at this stage.

11.5.2 GIAL, Mopa, Goa should ensure that service quality at Manohar International Airport, Mopa, Goa adheres to the performance standards outlined in the Concession Agreement throughout the control period.

Chapter 12: Aggregate Revenue Requirement for the First Control Period

12.4.1 To consider the ARR and YPP for the First Control Period for MIA, Mopa, Goa in accordance with Table 150.

Chapter 13: Aeronautical Revenue for the First Control Period

13.5.1 To consider the Aeronautical revenue based on the Tariff Rate Card detailed in Annexure 1.

13.5.2 To true up Aeronautical revenue based on the actual numbers for the First Control Period at the time of determination of tariff for the next control period.

15 ORDER

15.1 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 Manohar International Airport for the First Control Period as placed in Annexure 1.

15.2 In exercise of power 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 1 to the Order for the current Control Period.

15.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.

15.4 The order shall be made effective from 1st January 2024.

15.5 Airport operator shall submit its MYTP to the authority for the Second Control Period in a timely manner as per the Authority's Guideline, 2011.

By the Order and in the name of the Authority

(Suyash Narain)
Secretary

To,

Shri R.V Sheshan,
Chief Executive Officer
Goa International Airport, Mopa, Goa
Administrative Block, Manohar International Airport,
Taluka Pernem, Mopa, North Goa 403 512

Copy to:

1. **Secretary,** Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003
2. **Directorate General of Civil Aviation:** for issuance of AIC

16 ANNEXURES

Annexure 1A: Tariff Rate Card

Tariff Rate Card approved by the Authority for Manohar International Airport, Mopa, Goa for the First Control Period (effective from January 1, 2024)

Landing, Parking, UDF and CUTE charges

a) Landing Charges

(Rates in Rs. Per MT)

Flight	Weight of Aircraft (MTOW)	01.01.2024 to 31.03.2024	01.04.2024 to 31.03.2025	01.04.2025 to 31.03.2026	01.04.2026 to 31.03.2027	01.04.2027 to 31.03.2028
Domestic	Upto 100 MT	691	691	850	974	1,022
	Above 100 MT	69,100 + 778 per MT in excess of 100 MT	69,100 + 778 per MT in excess of 100 MT	85,000 + 952 per MT in excess of 100 MT	97,400 + 1,095 per MT in excess of 100 MT	1,02,200 + 1,150 per MT in excess of 100 MT
International	Upto 100 MT	982	982	1,225	1,407	1,478
	Above 100 MT	98,200+ 1,288 per MT in excess of 100 MT	98,200+ 1,288 per MT in excess of 100 MT	1,22,500+ 1,605 per MT in excess of 100 MT	1,40,700+ 1,846 per MT in excess of 100 MT	1,47,800+ 1,938 per MT in excess of 100 MT

Notes:

i. Weight of an aircraft means Maximum Take-off Weight (MTOW) in MT i.e., 1,000 kg as indicated in the certificate of airworthiness with DGCA.

ii. Landing charges shall be calculated on the basis of nearest MT (i.e., 1,000 kg).

iii. A minimum charge of Rs. 6000/- (up to 21 MT for domestic and 16 MT for international in the case of general aviation aircraft) shall be levied per single unscheduled landing of helicopter and general aviation aircraft. For over the specified tonnage, the charges as per MTOW will be applicable.

iv. Domestic leg (s) of international route (s) of an Indian scheduled operator will be treated as domestic flight as far as the airport user charges are concerned irrespective of the flight number assigned to such flights.

v. No landing charges shall be payable in respect of:

a. Aircrafts with a maximum certified passenger capacity of less than 80 seats, being operated by domestic schedule operators at airport.

b. Training flights operated by DGCA approved flying schools/flying training institutes.

c. Helicopters of all types (not applicable to non- scheduled operators).

d. Military aircraft (Government of India) including para-military forces such as BSF, Coast Guard etc.

vi. Landing charges will be applicable for schedule passenger airlines.

vii. Above charges are exclusive of applicable taxes.

b) Parking Charges

Parking Charges for the First Control Period decided by the Authority

(Rates in Rs. Per MT)

Weight of Aircraft (MTOW)	01.01.2024 to 31.03.2024	01.04.2024 to 31.03.2025	01.04.2025 to 31.03.2026	01.04.2026 to 31.03.2027	01.04.2027 to 31.03.2028
Upto 100 MT	12 per hour per MT	12 per hour per MT	13 per hour per MT	13 per hour per MT	14 per hour per MT
Above 100 MT	1,200 + 15 per hour per MT in excess of 100 MT	1,200 + 15 per hour per MT in excess of 100 MT	1,300 + 16 per hour per MT in excess of 100 MT	1,300 + 17 per hour per MT in excess of 100 MT	1,400 + 17 per hour per MT in excess of 100 MT

Notes:

i. Weight of an aircraft means MTOW in MT (1,000 kg) as indicated in the certificate of airworthiness filed with DGCA.

ii. No charge shall be applicable for the first two (2) hours of free parking. Fifteen (15) minutes shall be added to free parking time of two hours as mentioned herein, on account of arrival taxi time (time from touch down to parking stand) for calculation of free parking period. Another fifteen (15) minutes shall be added on account of departure taxi time (time from parking stand to take off point).

iii. Arrival taxi time & departure taxi time as mentioned above shall be applicable for each aircraft irrespective of actual arrival & departing taxi time.

iv. For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour.

v. Charges shall be calculated based on nearest rounded off MTOW.

vi. Charges for each period parking shall be rounded off to nearest rupee.

vii. Minimum 6 ATMs per day will be required to avail one-night parking bay. Allocation of night parking bay shall be subject to availability of bay (s).

viii. Above charges are exclusive of applicable taxes.

c) <u>User Development Fees (UDF)</u>

Applicable rates for travel date from January 1, 2024 to March 31, 2024

(Rates in Rs.)

Type of Passenger	Domestic	International
Embarking passengers	820	1,120
Disembarking passengers	350	480

Applicable rates for travel date from April 1, 2024 to March 31, 2025

(Rates in Rs.)

Type of Passenger	Domestic	International
Embarking passengers	820	1,120
Disembarking passengers	350	480

Applicable rates for travel date from April 1, 2025 to March 31, 2026

(Rates in Rs.)

Type of Passenger	Domestic	International
Embarking passengers	840	1,200
Disembarking passengers	360	500

Applicable rates for travel date from April 1, 2026 to March 31, 2027

(Rates in Rs.)

Type of Passenger	Domestic	International
Embarking passengers	910	1,270
Disembarking passengers	390	530

Applicable rates for travel date from April 1, 2027 to March 31, 2028

(Rates in Rs.)

Type of Passenger	Domestic	International
Embarking passengers	985	1,340
Disembarking passengers	415	560

<u>Notes:</u>

i. **Collection Charges:** If payment is made within 15 days from receipt of invoice, then collection charges per departing & arriving passenger shall be paid by Airport Operator as per the agreement 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 MIA, Mopa, Goa within the credit period of 15 days or in case of any part payment.

ii. 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 first fortnight and rate as on 15th of the month for tickets issued in the second fortnight shall be adopted.

iii. Above UDF charges will be applicable on the tickets issued on or after **01st January 2024.**

iv. **Exemption in Payment of User Development Fee (UDF)** – In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil

Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF:

- Children (under the age of 2 years).
- Holders of Diplomatic Passport.
- Airlines crew on duty including sky marshals and airline crew on board for the particular flight only (this would not include Dead Head Crew or ground personnel).
- Persons travelling on official duty on aircraft operated by Indian Armed Forces.
- Persons travelling on official duty tour United Nations Peace keeping Missions.
- Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hours. "A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

v. All the above charges are exclusive of applicable taxes.

d) ICT (CUSS/CUTE/BRS) Charges

Applicable rates w.e.f. tickets booked on or after 1st January 2024

Particulars	Amount
Per Domestic Embarking passenger	Rs. 60
Per International Embarking passenger	1.25 USD

Notes:

i. ICT services Licensed to Licensee on revenue share model. The charges mentioned above will be collected by Licensee from Airlines.

ii. ICT charges shall be applicable on to the UDF paying passengers on scheduled flights and passengers on non-scheduled chartered flights.

iii. For converting the USD in INR the RBI reference conversion rate as on the last day of the previous month for tickets issued in 1st fortnight & rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.

iv. Above charges are exclusive of applicable taxes.

General Terms & Conditions

i. Aviation Security Fee (ASF) (previously Passenger Service Fee (PSF) – Security) shall be applicable as prescribed by MoCA from time to time.

ii. Flight operating under Regional Connectivity Scheme will be exempted from charges as per Order No. 20/2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by the GOI as amended from time to time.

Annexure 1B: Bridge Mounted Equipment (BME) services:

Applicable rates from 1st January 2024 to 31st March 2028

Fixed Electrical Ground Power (FEGP) - INR / Hour							
Flight	**Aircraft Code**		**FY-24**	**FY-25**	**FY-26**	**FY-27**	**FY-28**
Domestic	Code B & C		2,262	2,488	2,613	2,743	2,880
	Code D		2,714	2,985	3,135	3,291	3,456
	Code E		3,166	3,324	3,491	3,665	3,848
International	Code C	Single Cable	5,206	5,727	6,013	6,314	6,629
	Code D	Single Cable	5,206	5,727	6,013	6,314	6,629
	Code E	Double Cable	6,291	6,606	6,936	7,283	7,647

Pre-Conditioned Air PCA - INR / Hour							
Flight	**Aircraft Code**		**FY-24**	**FY-25**	**FY-26**	**FY-27**	**FY-28**
Domestic	Code B & C		3,397	3,737	3,924	4,120	4,326
	Code D		3,619	3,981	4,180	4,389	4,608
	Code E		3,849	4,041	4,244	4,456	4,678
International	Code C	Up to 60T	5,296	5,826	6,117	6,423	6,744
	Code D	Up to 90T	5,905	6,496	6,820	7,161	7,519
	Code E	Up to 90T	5,905	6,496	6,820	7,161	7,519

Note:

i. Charges for BME Services indicated above is excluding of Govt. taxes, if any.
ii. BME services licensed to licensee on revenue share model. The charges mentioned above will be collected by licensee from Airlines.
iii. The Tariff GPU & PCA usage for remote stand shall be 15% higher of the corresponding tariff of PBB stand.

Annexure 1C: Variable Tariff Plan

VTP for landing charge:

Applicable to scheduled passenger airline for domestic operations:

No. of Arrivals/Annum (FY)	FY24	FY25
0 - 700	1.00*RR	1.00*RR
701 - 1,400	0.60*RR	1.00*RR
1,401 - 3,500	0.40*RR	0.80*RR
3,501 - 5,000	0.30*RR	0.60*RR
>5,000	0.20*RR	0.40*RR

*RR means Rack Rate

Applicable to scheduled passenger airline for international operations:

No. of Arrivals/Annum (FY)	FY24	FY25
</=125	0.60*RR	0.90*RR
126 - 250	0.40*RR	0.70*RR
251 - 375	0.30*RR	0.40*RR
>375	0.20*RR	0.20*RR

*RR means Rack Rate

Terms and conditions

1. Tenure & nature of VTP
   - Two financial years (FY24 & FY25).
   - VTP slabs will work on the principle of telescopic charges.
2. Applicability of VTP & calculation of landing charge
   - VTP will be applicable for passenger flights of domestic (scheduled) & international (scheduled & charter).
   - Tariff slabs will be applied based on number of ATM (arrivals) in a financial year. e.g., if ABC airline operate 2,500 scheduled domestic arrivals in FY24 then landing charge will be calculated as per below table:

Arrival ATM Slab	Arrival ATMs of ABC airline in FY24	VTP for FY24	Calculated landing charges
0 - 700	700	1.00*RR	700*1.00*RR
701 - 1,400	700	0.60*RR	700*0.60*RR
1,401 - 3,500	1,100	0.40*RR	1100*0.40*RR

VTP for Parking Charge

Applicable to scheduled passenger airlines for domestic and international operations:

Time interval	Weight of aircraft	Charges (Rs/Hr./MT)
2300 - 0530	</= 100MT	0.00*RR
	> 100MT	0.00*RR

*RR means Rack Rate

Terms & Conditions

1. Applicability of VTP
    - Two financial years (FY24 & FY25).
    - To avail benefits, an airline shall operate minimum 10 ATMs per day during entire schedule (summer / winter). Rates mentioned in above table are for one night parking bay.
    - VTP for parking will be subject to availability of night parking bays.

17 APPENDICES

17.1 Appendix I - Independent Study with respect to the Analysis of Capital Expenditure for Development of Greenfield Airport Facilities at Manohar International Airport, Mopa, Goa